

CANADA

HOUSE OF COMMONS DEBATES

OFFICIAL REPORT

FIRST SESSION—TWENTY SEVENTH PARLIAMENT

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COMPRISING THE PERIOD FROM THE TWENTY SECOND DAY OF FEBRUARY, 1967,
TO THE TWENTY SECOND DAY OF MARCH, 1967, INCLUSIVE

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ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1967

23033—843½

HOUSE OF COMMONS

Wednesday, February 22, 1967

The house met at 2.30 p.m.

PRIVILEGE

MR. LANGLOIS (MÉGANTIC)—APPEARANCES ON C.B.C. OF QUEBEC SEPARATIST

Mr. Raymond Langlois (Mégantic): Mr. Speaker, I rise on a question of privilege arising from an answer given by the Secretary of State, to be found on page 13205 of *Hansard* for Monday, February 20, 1967. The answer was directed to the hon. member for Lapointe, who had inquired about the number of invitations extended by the C.B.C. to different persons across the country to speak on political topics. My question of privilege has to do with persons to whom such invitations have been extended.

Looking at the answer given by the Secretary of State we find the name of Mr. Bourgault, leader of the Ralliement pour l'Independance nationale in Quebec, appearing four times under C.B.C. radio programs and five times on television or nine times in all, while cabinet ministers, men responsible for the country's administration, are listed as "nil". The name of the Minister of Justice is listed as "nil" under the radio column and "nil" under the television column.

I strongly object to the way in which the C.B.C. has proceeded to place Mr. Bourgault, a known separatist, in a category equal to, if not above, that of cabinet ministers of this country; I object to the use of the C.B.C. for the purpose of getting a subversive message, a revolutionary message across to the people of this country; and I for one, as a member of parliament and as a Canadian of the Dominion of Canada, am certainly not willing to sit back without making a protest in these circumstances.

The second part of my question of privilege also relates to the C.B.C. and to the nature of some of the programs which are produced—

[*Translation*]

—for instance the program "Aujourd'hui" which is subversive, revolutionary and undesirable, particularly at this time when the situation is so tense in the country. I feel that the said program is perverted and abnormal, that it is presented not only to bring up problems still more difficult than those we are faced with, but also to brainwash the Canadian people, particularly the population of the province of Quebec.

Consequently, Mr. Speaker, I move:

[*English*]

That this subject matter be referred to the standing committee on films, broadcasting and the arts for immediate investigation, and that the said committee report back to this house before the end of the present session.

Mr. Speaker: Before submitting the motion suggested by the hon. member for Mégantic the Chair has to decide whether there is a prima facie case of privilege. I have listened to the argument put forth by the hon. member for Mégantic, and I must tell him that I have no hesitation whatever in reaching the conclusion that there is no question of privilege at all in what he has raised. He may have a grievance, but I do not think the subject matter goes beyond the nature of a grievance. It cannot be accepted as a question of privilege.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

CHIEF OF RESOURCES AND INDUSTRIAL DIVISION, INDIAN AFFAIRS

Question No. 2,480—**Mr. Orlikow:**

1. Who is the chief of the resources and industrial division of the development directorate of the Department of Indian Affairs and Northern Development?

2. How long has he held the position?

3. What are his academic qualifications?

4. What is his previous experience in working with Indians either in the department or elsewhere?

5. What are his duties and responsibilities and to whom does he report?

Hon. Arthur Laing (Minister of Indian Affairs and Northern Development): 1. Mr. Roy Gladstone Young.

2. Since November 8, 1965.

3. Academic qualifications: (a) University of Toronto, B.A. honour geography, (b) University of Toronto, postgraduate. Studies

in land utilization and applied anthropology. (Thesis not completed).

4. Mr. Young was with the Saskatchewan provincial department of natural resources from 1950 until 1965. As a staff member from 1950 to 1954, he supervised anthropologic and geographic studies in northern Saskatchewan where most of the inhabitants are Indians and Métis. As the assistant deputy minister from 1957 to 1962, he was responsible for co-ordinating the implementation of programs for the management and utilization of fish, fur and timber resources in the forested area of Saskatchewan. Many of the people dependent on these resources are Indians and Métis, and programming for resource use gave primacy to the needs of these people. During the period from 1950 to 1962, it was necessary to visit many native communities throughout the forest and precambrian areas of Saskatchewan, and he therefore attended meetings with trappers and fishermen and discussed problems about resource utilization. Mr. Young was chairman, from 1953 to 1957, of the northern advisory committee, a provincial interdepartmental group, whose purpose was to effect co-ordination in planning and program development for the native residents of northern Saskatchewan.

5. His duties and responsibilities are: He is responsible for the planning and development of a variety of programs designed to improve the economic well being of the Indians of Canada; the examining of the budget for Indian economic development and assessing it in the light of objectives and goals; surveillance of the implementation of the economic development budget; liaison with federal and provincial agencies; supervision of a headquarters staff and functional and technical supervision to a field staff. Mr. Young reports to the director of development.

FIRMS ACCUSED OF HAVING VIOLATED FOOD AND DRUGS REGULATIONS

Question No. 2,546—**Mr. Isabelle:**

1. How many pharmaceutical firms have been prosecuted for violations of the Food and Drugs Regulations in 1961-62-63-64-65-66 and what are the names of the firms?

2. How many of these firms were members of the P.M.A.C.?

[*Translation*]

Hon. A. J. MacEachen (Minister of National Health and Welfare): 1. Number of firms prosecuted for violations under the Food and Drugs Act and Regulations. Name of Firm. 1961, 3—Chemo Drug Co. Ltd., Toronto, Ontario. McClung-Clemens Ltd., Toronto, Ontario. Bell-Craig Ltd., Toronto, Ontario. 1962, 3—Nordic Drugs of Canada, Toronto, Ontario. Produits Francaise Ltée., Montreal, Quebec. E. H. Stickley Co., Hamilton, Ontario. 1963, 1—Gauls Herb House, Fort William, Ontario. 1964, 7—Barlowe-Cote Drug Labs., Cap-Rouge, Quebec. Bell-Craig Ltd., Toronto, Ontario. Canada Duphar Ltd., London, Ontario. Charles C. Cummings, Toronto, Ontario. Empire Laboratories Ltd., Toronto, Ontario. GEM Drugs, Toronto, Ontario. Ultravite Laboratories, Toronto, Ontario. 1965, 7—Pro Doc Labs. Ltd., Laval des Rapides, Quebec. Dale Labs. Inc., Montreal, Quebec. Canadian Nutritional Products, Toronto, Ontario. GEM Drugs (Ottawa) Ltd., Ottawa, Ontario. Metro Drug Ltd., Montreal, Quebec. Zirin Labs. Ltd., Montreal, Quebec. Sun-N-Health Products Reg'd., Montreal, Quebec. 1966, 11—B.M.C. Laboratories, Montreal, Quebec. Charles E. Frosst & Co., Montreal, Quebec. Jules R. Gilbert, Toronto, Ontario. C. E. Jamieson & Co. (Canada) Ltd., Windsor, Ontario. Lukas International (Canada) Ltd., Toronto, Ontario. Metro Drug Ltd., Montreal, Quebec. Penslar Co. Ltd., Windsor, Ontario. Harry D. Reid Agencies Ltd., Toronto, Ontario. Stylecraft Products Ltd., Vancouver, B.C. Zirin Labs. Ltd., Montreal, Quebec. Sun-N-Health Products Reg'd., Montreal, Quebec.

2. Information relating to the membership of the P.M.A.C. for the years 1961-66 is not available in the Department of National Health and Welfare. However, based on the member companies of the P.M.A.C. as provided in Appendix O, Minutes of Proceedings and Evidence, No. 5 of the Special Committee on Drug Costs and Prices, page 375, Canada Duphar Ltd. and Charles E. Frosst & Company, were members of the P.M.A.C. in June, 1966.

[*English*]

COST OF VARIOUS C.B.C. PROGRAMS

Question No. 2,570—**Mr. Schreyer:**

1. What was the amount expended by the C.B.C. in order to obtain an interview with (a) Mr. Adolphe von Thadden (b) Mrs. Gerda Munsinger?

2. With respect to part 1, how much of the cost was (a) in the form of direct fee (b) in the form of imputed cost to cover the time of the interviewers, transportation, logistics, etc.?

3. Did the C.B.C. make any estimate of the cost involved in televising an international debate on the war in Viet Nam to be held in York University on March 19, 1967, and, if so, what was this cost estimate?

4. What is the average per program cost for the production and televising to date, to the C.B.C. for the program "Sunday"?

Hon. Judy V. LaMarsh (Secretary of State): I am informed by the C.B.C. as follows: 1 and 2. See information supplied in replies to question 1,080 on May 25, 1966, and to question 2,503 on February 6, 1967.

3. No.

4. See information supplied in reply to question 2,252 on January 25, 1967.

TARIFF CONCESSIONS ON AUSTRALIAN AND NEW ZEALAND CANNED FRUIT

Question No. 2,572—**Mr. Howe (Hamilton South):**

1. Are any special tariff concessions granted on imports of Australian and New Zealand canned fruit and, if so (a) what are they (b) do these special concessions take into account the economy of the Canadian fruit belt particularly in the Niagara peninsula?

2. What protection is afforded to Canadian fruit growers under existing tariff regulations?

Hon. Mitchell Sharp (Minister of Finance): 1. Yes. (a) See attached table. (b) The duty rates on certain canned fruit imported from Australia and New Zealand were increased in 1959 consequential to duty increases on fresh fruits following the Tariff Board's report on reference 124, "Fruits and Vegetables". The board's study was concerned with the protection afforded Canadian growers, including those located in the Niagara peninsula.

2. The rates of duty applicable to imports of fresh fruit are shown in tariff items 9201-1 through 9800-1. The duties under some of these tariff items are a combination of free rates, specific rates and ad valorem rates. The effective rate of duty under such items depends on the season of the year.

Tariff item No.	Description	British preferential tariff	Most-favoured-nation tariff	General tariff	Australian trade agreement	New Zealand trade agreement
	Fruits, prepared in air-tight cans or other air-tight containers, the weight of the containers to be included in the weight for duty:					
10601-1	Apricots.....per pound	2½ cts.	2½ cts.	5 cts.	½ ct.	1½ cts.
10602-1	Cherries.....per pound	1½ cts.	1½ cts.	5 cts.	—	1½ cts.
10603-1	Peaches.....per pound	1¾ cts.	2¼ cts.	5 cts.	¼ ct.	1¼ cts.
10604-1	Pears.....per pound	2 cts.	2 cts.	5 cts.	Free	1 ct.
10605-1	Pineapples.....per pound	1 ct.	2 cts.	5 cts.	Free	—
10606-1	Prunes.....per pound	1⅓ cts.	1⅓ cts.	5 cts.	—	1⅓ cts.
10607-1	Mixtures containing peaches, pears or apricots..per pound	2 cts.	2 cts.	5 cts.	1 ct.	—
10608-1	Not otherwise provided.....per pound	1 ct.	1 ct.	5 cts.	Free	1 ct.

C.M.H.C. LOANS, LEBEL-SUR-QUEVILLIN, QUE.

Question No. 2,638—**Mr. Caouette:**

1. Has Central Mortgage and Housing Corporation granted loans for the construction of housing in Lebel-sur-Quevillin, in the electoral district of Chapleau during (a) 1964 (b) 1965 (c) 1966 (d) 1967?

2. If so, what is the name of the notary or notaries whose firm was engaged to draw up the contracts?

3. What fees were paid (in dollars) to the notary for each transaction?

Hon. J. R. Nicholson (Minister of Labour): 1. (a) No, (b) yes, (c) yes, (d) none to date.

2. Réal Caron, Senneterre, Quebec. Joseph Morin, Val d'Or, Quebec.

3. Under normal mortgage practice, legal fees in connection with the arranging of the deed of loan and hypothec are paid by the borrower. Central Mortgage and Housing Corporation follows this general practice and, therefore, has no record of the amount paid by the borrower.

Orders for Returns

CANADIAN PARTICIPATION IN TRADE FAIR, LIMA, PERU

Question No. 2,656—**Mr. Isabelle:**

Will Canada participate in the Pacific international trade fair at Lima, Peru, in October, 1967?

[*Translation*]

Mr. Jean-Charles Cantin (Parliamentary Secretary to Minister of Trade and Commerce): Yes. This particular fair is the only major trade fair scheduled in South America next year. The Department of Trade and Commerce has taken space and will erect a pavilion to house the Canadian exhibit. Canvassing of Canadian industry is under way, and already we are assured of more than 40 participants.

[*English*]

QUESTIONS PASSED AS ORDERS FOR RETURNS

JOB TRAINING COURSES FOR INDIANS

Question No. 2,425—**Mr. Reid:**

1. Does the Department of Indian Affairs and Northern Development sponsor job training courses for Indians in Canada and, if so (a) what kinds of program are provided (b) where are the physical locations of these programs (c) how many Indians are enrolled (d) what is the passing rate (e) what is the attendance rate?

2. Does the Department of Indian Affairs and Northern Development have a follow up program to see that those who have completed their courses are placed in positions and, if so, how many persons have been placed in each of the various job classifications for which they have been trained?

3. How many placement officers has the department hired and where are they stationed?

Return tabled.

TOTAL FEDERAL HEALTH ASSISTANCE EXPENDITURES

Question No. 2,496—**Mr. Irvine:**

What was the total amount of all grants, subsidies or other monetary assistance in any form from all federal departments in each of the years 1960 to 1966 inclusive for (a) the mentally retarded (b) the blind (c) the deaf (d) the mute (e) mentally ill (f) crippled children?

Return tabled.

Hon. D. S. Harkness (Calgary North): On a question of privilege I should like to ask when my question No. 2,239, which is dated November 29, will be answered. I protest about the delay, because it is now nearly three months since this was first placed on the order paper. I know from my own experience as minister of agriculture for some three years that it could have been answered within a week by the Department of Agriculture without any difficulty whatever. In spite of that it has been nearly three months since I put the question on the order paper. I can only conclude that this minister is paying no attention to members' questions and making no effort to answer them in a reasonable length of time.

Mr. Gilles Grégoire (Lapointe): Mr. Speaker, I should also like to call the attention of the government to question No. 2,168, which has been on the order paper since November 10 last.

It is a relatively simple question and although it has been on the order paper for almost four months, I have not yet received an answer. Therefore, I wonder whether the government could not answer such a simple question, at least before this session is over.

[*Translation*]

MOTION FOR PAPERS

Mr. Albert Béchard (Parliamentary Secretary to Secretary of State): Mr. Speaker, notice of motion for papers No. 208 is acceptable to the government and the papers are being tabled immediately.

I ask, sir, that the remaining notices of motions be allowed to stand.

[*English*]

CORRESPONDENCE WITH R. & R. SHIPPING LTD.

Motion No. 208—**Mr. Howe (Hamilton South):**

That an order of the house do issue for a copy of all letters between the Minister of Transport or any members of his department and either Mr. Alex R. Gordon or the R. & R. Shipping Limited.

Motion agreed to.

NATIONAL REVENUE

STUDEBAKER CORPORATION—INDEBTEDNESS FOR CUSTOMS DUTIES

On the orders of the day:

Right Hon. J. G. Diefenbaker (Leader of the Opposition): I should like to direct a question to the Minister of National Revenue, the guardian of our financial interests. I should like to ask him whether his attention has been drawn to the castigation of his department by the Auditor General, as recorded on page 64 of the report, regarding the case of the Studebaker Corporation which apparently

received such consideration in 1965 and 1966. The report states that this manufacturer is in debt to the crown for customs duties estimated at $2.4 million.

I ask the minister why no action has been taken. What action does the government now intend to take? Is the minister aware that the Auditor General stated that the procedures followed are "not adequate to protect the revenues properly accruing to the crown"?

Hon. E. J. Benson (Minister of National Revenue and President of the Treasury Board): Of course I have looked at the Auditor General's report. I have asked for a thorough investigation and comments on the report as submitted by the Auditor General. I believe these would probably be too lengthy to read on orders of the day when I have received them. I suggest, therefore, to my right hon. friend that if he will put a question on the order paper I will answer it as soon as possible with the lengthy explanation.

Mr. Diefenbaker: My experience with the C.B.C., Mr. Speaker, has not been that questions get answered. However, I ask the minister this. How does he justify the delay of over a year when he told parliament the matter was being looked into in view of the general statement made by the Auditor General indicating a gross neglect of duty on his part as minister?

Mr. Benson: The comments of the Auditor General do not indicate any neglect of duty on anybody's part in this particular matter. Information which was not available at the time the Auditor General submitted his report is now available. I will be pleased to supply the information to my right hon. friend as soon as I have obtained it in suitable form from my department.

Hon. Michael Starr (Ontario): May I ask a supplementary question of the right hon. Prime Minister, Mr. Speaker. In view of the lack of time on orders of the day to get answers to questions regarding the auto pact, will the Prime Minister not agree to submit the auto pact to the scrutiny of a standing committee of the house so that all information in respect of this pact can be obtained?

Right Hon. L. B. Pearson (Prime Minister): I will be glad to look into that matter. I cannot answer it definitely at the present time. We have to get through some important legislation before this house prorogues. Whether there will be an opportunity to discuss this pact I do not know, but there certainly will be an opportunity when we discuss the estimates in the resumed session.

Mr. Starr: Mr. Speaker, I feel this matter is of great urgency at this time when thousands of Canadians are being laid off. I think we should find sufficient time to look into this situation, in view of the fact that we are looking into everything else through royal commissions and standing committees.

Mr. Pearson: Mr. Speaker, I cannot accept the suggestion that this situation arises out of the operation of the auto pact. My hon. friend probably is aware of what is going on in Washington, where attacks are being made on that government because this particular agreement is said to be too favourable to Canada.

Mr. Starr: Mr. Speaker, is the Prime Minister aware that within a matter of just a few weeks ago Dafew Metal Stampings Limited of Scarboro has gone out of business as a result of the auto pact, and that 82 employees have lost their jobs permanently?

Mr. Pearson: I am also aware that many thousands of jobs have been given to Canadians as a result of this agreement.

Mr. Starr: Where; in Windsor?

Mr. Speaker: Order, please.

Mr. A. D. Hales (Wellington South): Mr. Speaker, I rise on a point of privilege. The right hon. Leader of the Opposition quite rightly asked the Minister of National Revenue whether the Studebaker Company had paid its bill of $2.4 million. Surely the minister must be aware whether or not they have paid this bill. All this house wants to know is whether the bill has been paid; yes or no.

Mr. Speaker: Order. That is not a question of privilege. The hon. member knows the rule.

ROYAL CANADIAN MOUNTED POLICE

INTERVIEWS WITH PRESIDENTS OF STUDENT ORGANIZATION

On the orders of the day:

Mr. T. C. Douglas (Burnaby-Coquitlam): Mr. Speaker, may I direct a question to the Solicitor General. I should like to ask him whether his attention has been drawn to the statement made by the president of the Canadian Union of Students to the effect that over the past 15 years successive presidents of that organization have been interviewed by

the R.C.M.P. for the purpose of soliciting information gained by N.F.C.U.S. observers at international student meetings, particularly those in eastern Europe. Has his attention also been called to the fact that all five of the men who have held the position of president of the Canadian Union of Students have said they were similarly solicited, and that one of them said he was offered a bottle of rye whiskey?

I should like to ask the minister whether he will undertake to have an investigation made of these allegations to see whether they are true. If he finds they are correct, will he undertake to report back to the house to the effect that these practices are being discontinued?

Hon. L. T. Pennell (Solicitor General): Mr. Speaker, in reply perhaps I may be permitted to say that I am advised the R.C.M.P. does not supply funds to students or student organizations for the purpose of inducing them to act on behalf of the R.C.M.P.

I wish to emphasize that the activities of the R.C.M.P. are limited to counterespionage. Obviously it is not possible for the R.C.M.P., which is charged with the responsibility for national security, to carry out its responsibilities unless members of that force are able to ask questions of people who have relevant information. The R.C.M.P. have openly interviewed people from all walks of life, including students.

Some hon. Members: Hear, hear.

Mr. W. H. A. Thomas (Middlesex West): Would the Solicitor General also be prepared to advise the Canadian Union of Students that since the R.C.M.P. is one of the arms of government and is vitally responsible in the maintenance of law and order in this country, co-operation with the R.C.M.P. is co-operation with the government and the citizens of Canada?

Some hon. Members: Hear, hear.

[*Translation*]

CANADIAN BROADCASTING CORPORATION

INVITATIONS TO PERSONS INVOLVED IN SEPARATIST ACTIVITIES

On the orders of the day:

Mr. Raymond Langlois (Mégantic): Mr. Speaker, I should like to direct my question to the Prime Minister.

[Mr. Douglas.]

Is it the intention of the government or the Prime Minister to advise the C.B.C. or to recommend to the C.B.C. that it should abstain from extending further invitations to persons directly or indirectly affiliated with any separatist activity in the country?

[*English*]

Right Hon. L. B. Pearson (Prime Minister): Mr. Speaker, I will bring my hon. friend's observations to the attention of the C.B.C.

[*Translation*]

Mr. Gilles Grégoire (Lapointe): Mr. Speaker, I would like to ask a supplementary question.

Could the Prime Minister tell us if he intends to use the C.B.C. to prevent ideas from circulating in Canada, or would he not rather leave the C.B.C. free to allow those who have ideas to express them?

Mr. Speaker: Order.

[*English*]

TRADE

CANADIAN PARTICIPATION IN MEETING RESPECTING LATIN AMERICAN COMMON MARKET

On the orders of the day:

Mr. Howard Johnston (Okanagan-Revelstoke): Mr. Speaker, my question is for the Minister of Trade and Commerce. Because of the number of existing trade agreements that will be involved, could the minister tell the house whether Canada has been invited to send an observer to the mid-April meeting in Uruguay designed to set up a common market of 19 Latin American nations.

Hon. Robert Winters (Minister of Trade and Commerce): I will have to take that question as notice, Mr. Speaker.

AIR TRANSPORT

CANADIAN PACIFIC AIRLINES—REQUEST FOR LANDING RIGHTS AT CALGARY

On the orders of the day:

Hon. D. S. Harkness (Calgary North): Mr. Speaker, I have a question for the Minister of Transport. Has the minister received a wire from the mayor of the city of Calgary requesting an early discussion on Canadian Pacific Airlines' request for landing rights at Calgary and informing the minister of the grave concern of the Calgary Chamber of Commerce at the delay in settling this matter? Also, can the minister state when he will

be prepared to meet the mayor of Calgary to discuss this matter?

Hon. J. W. Pickersgill (Minister of Transport): Yes, Mr. Speaker, I have received the message. I really do not believe that much useful purpose would be served by having a repetition of representations that were made to me by the mayor of Calgary a few weeks ago. I understand his impatience, and hope he will not have to be impatient very much longer.

Mr. Harkness: A supplementary question, Mr. Speaker. Is the minister certain that the mayor has no further matters to put before him than the representations which were made some weeks ago; and would he not be prepared to meet the mayor?

Mr. Speaker: Order, please.

Mr. Donald MacInnis (Cape Breton South): A supplementary question, Mr. Speaker. Is the Minister of Transport aware of the fact that he is disagreeing with the Minister of National Health and Welfare, who yesterday implied that repetition was needed?

URANIUM

INQUIRY AS TO DISCUSSIONS RESPECTING SALE TO FRANCE

On the orders of the day:

Hon. George Hees (Northumberland): Mr. Speaker, I should like to address a question to the Minister of Trade and Commerce. Has the minister any information to pass on to the house regarding conversations with the government of France leading to possible future orders for uranium from this country?

Hon. Robert Winters (Minister of Trade and Commerce): Mr. Speaker, there is nothing new to report. The government is keeping in close contact with the French government, as are the uranium producers. As far as I know, there are no active negotiations at the moment.

EXPO '67

OBJECTIONS BY AUDITOR GENERAL AS TO FINANCING

On the orders of the day:

Mr. Robert C. Coates (Cumberland): Mr. Speaker, I also have a question for the Minister of Trade and Commerce. Does the minister intend to introduce legislation during the present session to eliminate the objections raised by the Auditor General with regard to the financing of Expo '67?

Hon. Robert Winters (Minister of Trade and Commerce): No, sir, because such legislation in this session is not necessary.

Mr. Coates: A supplementary question, Mr. Speaker. Has the minister satisfied himself that the recently announced preview of Expo '67 for some 7,000 V.I.P.'s will not place unnecessary additional burdens on the taxpayers of this nation?

Mr. Winters: Yes, I am satisfied on that point, Mr. Speaker.

DEFENCE PRODUCTION

REPORTED CHANGE IN TARIFF ON MILITARY EQUIPMENT PURCHASED ABROAD

On the orders of the day:

Right Hon. J. G. Diefenbaker (Leader of the Opposition): Mr. Speaker, this seems to be the day of the Minister of National Revenue, or perhaps this question should be addressed to the Minister of Defence Production. Has their attention been drawn to an editorial in the *Financial Post* to the effect that on November 24, almost three months ago, the federal government made a change in the ground rules affecting hundreds of companies, whereby certain reductions were made in connection with importations of defence products. No notice was given to the trade. Why did this failure take place? What justification is there that orders made by the government, so important to business and employment in Canada, should have been kept under cover until finally revealed three months after the order in council was passed?

Hon. C. M. Drury (Minister of Industry): Mr. Speaker, as the right hon. gentleman has indicated there was an order in council passed which was discussed with those involved in the industry before its passage. The order in council having been passed it was, as usual, published in the official gazette of Canada. I have not with me today the page number of the gazette for the month of November, but I will be glad to provide it to the right hon. gentleman so he can read it.

Some hon. Members: Hear, hear.

Mr. Diefenbaker: I can also read what was stated by the *Financial Post.*

Some hon. Members: Order.

Mr. Diefenbaker: I ask the hon. gentleman—

Some hon. Members: Order.

Inquiries of the Ministry

Mr. Diefenbaker: Oh, you don't like the truth over there.

Mr. McIlraith: We would like you to obey the rules.

Mr. Diefenbaker: This is just another example of the attitude of ministers when they are on the ropes.

Mr. Speaker: Order, please.

Mr. Diefenbaker: Mr. Speaker, I want to ask a question. I cannot understand this unseemly noise.

Mr. Speaker: Order, please. Will the right hon. gentleman ask his question?

Mr. Diefenbaker: My question to the minister is whether it is a fact that companies active in defence business were not told of this, nor was the Canadian Manufacturers Association; and that this took place over a period of three months to the detriment of Canadians because of the failure of the government.

Mr. Drury: Mr. Speaker, the purpose of publishing the order in council in the *Canada Gazette* was to draw it to the attention of those who had an interest, and I assume that those people would have taken the trouble to read the very precise terms of the order in council, which was published in extenso.

Mr. Lloyd R. Crouse (Queens-Lunenburg): I have a supplementary question, Mr. Speaker. What is the amount of purchases required for a full remission of the customs duties involved?

Mr. Speaker: Order. This question is obviously out of order.

NATIONAL DEFENCE

NATO—MAINTENANCE OF CANADIAN COMMITMENTS UNDER UNIFICATION

On the orders of the day:

Hon. Gordon Churchill (Winnipeg South Centre): My question is for the Secretary of State for External Affairs and concerns a military matter, a subject in which he is intensely interested. In view of recent evidence given to the defence committee and particularly that by General Moncel, former vice chief of staff, will the minister explain how Canada's commitments toward NATO will be maintained under the proposed plan of unification which is being put forward by the Minister of National Defence for unknown reasons?

Mr. Speaker: Order, please.

[Mr. Diefenbaker.]

Hon. Paul Martin (Secretary of State for External Affairs): It is a well known rule of this house—

Mr. Speaker: I am afraid I cannot accept this question. It is much too broad and general.

Mr. Martin (Essex East): I was going to point out that the hon. gentleman, who is an authority on the rules of this house—

Mr. Speaker: Order, please.

Mr. Martin (Essex East): Mr. Speaker, this is a point of order. As I was saying, the hon. member for Winnipeg South Centre knows perfectly well that it is not in order to ask a question about a statement made in committee while that committee is sitting concurrently with the session of this house.

Mr. Diefenbaker: Mr. Speaker, the point of order is not well taken; it is simply a point of disorder.

Mr. Speaker: I had stated other reasons why the question was out of order.

Mr. Churchill: May I put a question to the Secretary of State for External Affairs which I think may be acceptable to him. Will he appear before the defence committee and explain how the proposed unification will affect adversely, as was stated, our commitments to NATO?

Mr. Martin (Essex East): I would be glad to assist the hon. gentleman by helping him to phrase his question a little better.

TRANSPORT

PROPOSED SURCHARGES ON CARGOES TO VANCOUVER FROM JAPAN

On the orders of the day:

Hon. E. D. Fulton (Kamloops): Mr. Speaker, I should like to ask the Minister of Trade and Commerce whether he can report to the house any progress in the negotiations aimed at the rescission of the surcharges proposed by Japan and the shipping conferences in San Francisco, which would be disastrous to the port of Vancouver. The matter is urgent, inasmuch as the deadline by which the increased rates are otherwise to come into effect is March 1.

Hon. Robert Winters (Minister of Trade and Commerce): Mr. Speaker, I will take the question as notice and see what progress I can report at an early date. The period for negotiations is still open.

CANADIAN NATIONAL RAILWAYS

NORTH SYDNEY, N.S.—POSSIBLE DISCONTINUANCE OF EXPRESS AND FREIGHT OPERATIONS

On the orders of the day:

Mr. Robert Muir (Cape Breton North and Victoria): Mr. Speaker, my question to the Minister of Transport arises as a result of representations I have received and meetings I have had with unions in my area. May I ask the minister if it is the intention of the Canadian National Railways to make further cut-backs in employment and service in the town of North Sydney by discontinuing their express and freight operations in that town?

Mr. Speaker: Order, please.

Hon. J. W. Pickersgill (Minister of Transport): I hope not, but I will make inquiries.

Mr. Speaker: Order. Perhaps the hon. member may want to discuss this in the adjournment debate.

Mr. Muir (Cape Breton North and Victoria): Mr. Speaker, with your permission I would like to deal with this very important question at the first opportunity on the late, late show.

CANADIAN CONSTITUTION

REQUEST OF PROVINCES FOR CONFERENCE IN CENTENNIAL YEAR

On the orders of the day:

Hon. Michael Starr (Ontario): Mr. Speaker, I wish to address a question to the right hon. Prime Minister and ask him whether, in view of the desire expressed recently by a large number of the provinces to hold a constitutional conference, the Prime Minister will accede to their request by arranging such a conference in our centennial year and calling it the centennial family conference.

Right Hon. L. B. Pearson (Prime Minister): Some provinces have also indicated that this would not be the proper time to hold a constitutional conference. Naturally until there is unanimity on this matter, and until preparatory work is done, there would not be much value in holding that kind of conference.

Mr. Starr: In view of press reports that the majority of the provinces have agreed, will the Prime Minister tell us which of the provinces have not agreed?

Inquiries of the Ministry

Mr. Pearson: No, Mr. Speaker, because some of the reports I have received are confidential, naturally I have to give careful consideration to minority rights in this matter.

Mr. Stanley Knowles (Winnipeg North Centre): A supplementary question, Mr. Speaker. If the Prime Minister is not yet ready to call a centennial family conference, will his government consider bringing in during this session legislation on family planning?

[*Translation*]

FINANCE

REPORTED GRANTING OF INTEREST FREE LOAN TO INDIA

On the orders of the day:

Mr. Henri Latulippe (Compton-Frontenac): Mr. Speaker, I wish to direct a question to the Minister of Finance.

We learn from an official source that the government has just granted an $11,850,000 loan to India. I would therefore ask the minister this: If interest free loans are made to foreign countries and loans bearing interest are secured from foreign countries, how does he expect to balance the external affairs budget?

Mr. Speaker: I have the impression that this is not a question but an argument.

WATER RESOURCES

PROVINCIAL PARTICIPATION IN PROPOSED U.S. CONFERENCE

On the orders of the day:

Mr. Maurice Allard (Sherbrooke): Mr. Speaker, my question is directed to the hon. Minister of Energy, Mines and Resources and deals with the next international conference on water and fisheries in Washington. Does the Canadian government intend to invite the provinces to be represented on the five-member delegation Canada is entitled to, since they have offshore jurisdiction and the use of water falls within their jurisdiction?

Hon. Jean-Luc Pepin (Minister of Energy, Mines and Resources): Mr. Speaker, I am not willing to accept all the comments of the hon. member. The federal government also has responsibilities where our waters are concerned, for fish live in them, ships navigate them. Fisheries and navigation, to mention only those, are fields of federal jurisdiction.

As to who will be the members of the Canadian delegation to be sent to Washington, the matter is now being studied jointly by Ottawa and the provinces.

Inquiries of the Ministry

[*English*]

INDUSTRY

REPORTS BY FORD MOTOR COMPANY RESPECTING DEFECTIVE AUTOMOBILES

On the orders of the day:

Mr. Heward Grafftey (Brome-Missisquoi): Mr. Speaker, it was reported today that massive defects in Ford motor vehicles were reported to the United States government. I wish to ask the Minister of Industry whether the Ford Motor Company of Canada have made similar reports to him regarding defective Canadian vehicles on the road at this time.

Hon. C. M. Drury (Minister of Industry): Mr. Speaker, I am not quite sure to what particular reports the hon. gentleman is referring, but the Ford Motor Company of Canada in addition to notifying the purchasers of cars with real or suspected defects also notifies the government.

COAL

REQUEST FOR STATEMENT ON NEGOTIATIONS WITH JAPAN

On the orders of the day:

Mr. Lawrence E. Kindt (Macleod): Mr. Speaker, the other day I put a question to the Minister of Energy, Mines and Resources and in his absence it was answered by the Prime Minister. My question concerned negotiations concerning coal shipments to Japan. I wonder whether the minister is now in a position to report on that matter.

Hon. Jean-Luc Pepin (Minister of Energy, Mines and Resources): Mr. Speaker, the negotiations have been going on for three years. The parties to the negotiations are members of two private industries, the coal industry of Canada and the steel industry of Japan. The Dominion Coal Board is fully informed on the negotiations, but on a confidential basis; I think it would be improper for me to report on them.

TRANSPORT

PRINCE EDWARD ISLAND CAUSEWAY—POSSIBLE CONSTRUCTION CHANGES

On the orders of the day:

Mr. Heath Macquarrie (Queens): Mr. Speaker, I have a question for the Minister of Public Works concerning what is doubtless the greatest undertaking in which his department is engaged. Since he replied to my question on February 8 has the minister or his department received another or fuller report from Mr. O. J. McCulloch on the Northumberland strait crossing? If so, has such report prompted any consideration of changes in design or scheduling of this important project?

Hon. G. J. McIlraith (Minister of Public Works): Mr. Speaker, I do not recall the precise date on which Mr. O. J. McCulloch forwarded his report to the Department of Public Works, but that date was disclosed in the answer to the written question given in this house. Whatever the date was, whether before or after the 8th, the report is now being studied to see whether any changes in the plans for construction of the crossing are warranted.

BRITISH COLUMBIA—STEPS TO SETTLE WHARFAGE DISPUTE

On the orders of the day:

Mr. T. S. Barnett (Comox-Alberni): Mr. Speaker, I have a question for the Minister of Transport arising out of the letter he tabled yesterday appointing Dr. T. G. How to look into the administration of small vessel harbours on the British Columbia coast. Will the minister suspend the operation of the side wharfage section of the government wharves and piers regulations until the report by Dr. How has been submitted?

Hon. J. W. Pickersgill (Minister of Transport): Mr. Speaker, I doubt whether it is usual to suspend the operation of a law while an investigation is carried out.

Mr. Barnett: A supplementary question. Would the minister at least agree not to extend the application of the side wharfage regulations to those places to which heretofore they had not applied, until this report is received?

Mr. Pickersgill: I do not think the minister in any event would have power to do anything of this kind, sir.

NATIONAL DEFENCE

REQUEST FOR TABLING OF INTERNAL INFORMATION PUBLICATIONS

On the orders of the day:

Hon. Gordon Churchill (Winnipeg South Centre): Mr. Speaker, I have a question for the Minister of National Defence. Would the minister table in the house the new internal information publications issued on his authority for the purpose of counteracting criticism of his policies?

Hon. Paul Hellyer (Minister of National Defence): Mr. Speaker, there is no such instruction of any kind, but I would be very pleased to have the deputy minister of national defence, to whom the information services of the defence department report, appear before the committee within the next few days to reassure my hon. friend that no such information is given out; nor would we contemplate such a thing under any circumstances.

Mr. Churchill: A supplementary question, Mr. Speaker. Is the minister telling the house that there is no such publication as one dealing with internal information for the forces?

Mr. Hellyer: No, Mr. Speaker; there is indeed. The director of internal information reports to the director of information services who reports to the deputy minister, and as I say I should like the deputy minister to come before the committee and explain to my hon. friend why it is essential for the forces to receive accurate information and not have to rely on some of the things they read in the newspapers attributed to my hon. friend.

Mr. Churchill: A further supplementary question. Have the members of the forces not read the minister's speech of December 7 which was sent out in a red cover?

Mr. Hellyer: I certainly hope so, Mr. Speaker.

Mr. Speaker: Order, please.

POWER

BAY OF FUNDY—REQUEST FOR PROGRESS REPORT ON STUDY

On the orders of the day:

Mr. J. M. Forrestall (Halifax): Mr. Speaker, I have a question for the minister of mines. I wonder whether the minister could tell the house what progress has been made to date by the special group set up to study Fundy tidal power; and could the minister tell us when we might expect to receive a report and some recommendations?

Hon. Jean-Luc Pepin (Minister of Energy, Mines and Resources): Mr. Speaker, the engineering committee of the board met recently I think in Montreal, to interview different engineering companies and to ascertain what each of them could contribute to assist the study being undertaken of the Bay of Fundy tides. These applications are now being studied and in the coming days there will be a meeting of the full board to examine the recommendations made by the committee.

AGRICULTURE

CONSIDERATION OF REQUEST FOR NATIONAL CONFERENCE

On the orders of the day:

Mr. T. C. Douglas (Burnaby-Coquitlam): Mr. Speaker, may I direct a question to the Minister of Agriculture and ask him whether the government has received a brief from the Canadian Federation of Agriculture, with particular reference to their request that the federal government convene a national agricultural conference. I want to ask the minister whether the government is giving favourable consideration to convening such conference with a view to focusing attention on the problems of the agricultural industry, and finding some solutions.

Hon. J. J. Greene (Minister of Agriculture): Mr. Speaker, the government has received the brief from the Canadian Federation of Agriculture, and we had a very useful and informative meeting with them this morning. All the suggestions made by the Canadian Federation of Agriculture in their brief, including that respecting a national conference on agricultural goals, will receive the very serious consideration of the government.

Mr. Douglas: A supplementary question, Mr. Speaker. Could I also ask the minister when we may expect the report of the investigation which is being carried on into the price of farm machinery. When does the minister expect to be able to make a report to the house and to table the correspondence he has had with the farm implement companies?

Mr. Greene: Mr. Speaker, I expect to be able to report to the house on this subject very soon.

Hon. W. G. Dinsdale (Brandon-Souris): Mr. Speaker, I have a question which is supplementary to the first question asked by the hon. member for Burnaby-Coquitlam. Now that the minister has had ample time to study the memorandum of the Manitoba government requesting a national conference on agriculture, has he made any reply to the government of Manitoba and, if so, would he table his reply in this house?

Mr. Greene: Mr. Speaker, we received a communication at an earlier date. I take it that tabling my reply and the original letter would have to be subject to the usual rules with respect to correspondence passing between federal and provincial governments.

Establishment of Immigration Appeal Board

Mr. Dinsdale: A further supplementary, Mr. Speaker.

Mr. Speaker: Order, please. Orders of the day.

• (3:20 p.m.)

IMMIGRATION

PROVISION FOR ESTABLISHMENT OF APPEAL BOARD

The house resumed, from Tuesday, February 21, consideration in committee of Bill No. C-220, to make provision for appeals to an immigration appeal board in respect of certain matters relating to immigration.—Mr. Marchand—Mr. Batten in the chair.

The Chairman: When the committee rose last evening clause 7 of the bill was under consideration. Clause 6 was allowed to stand, clauses 2, 3, 4 and 5 having been agreed to. Does the committee wish to continue with clause 6 or clause 7?

Mr. Marchand: I wish to move an amendment to clause 6. I have no French translation, though I shall obtain it during the discussion.

I move:

That clause 6 of Bill C-220 be amended by striking out lines 39 to 41 on page 2 and substituting therefor the following:

Sittings. (2) The Board may sit at such places in Canada as it sees fit.

Quorum. (3) The Chairman and not less than two other members, or the Vice-Chairman and not less than two other members if at least one of such persons is a person described in subsection 7 of section 3, constitute a quorum of the Board.

Hon. members will understand that to mean, I think, that one of the lawyers or barristers attached to the board will have to be part of the quorum.

Mr. Bell (Carleton): I think this meets the objections raised yesterday, particularly with respect to the board's sitting anywhere in Canada. I hope the board will seek the opportunity to suit the convenience of appellants in many parts of Canada. The amendment also meets the point I have taken that a legally trained person on the board should always form part of the quorum. This amendment is quite acceptable.

Mr. Lewis: I merely want to say that I hope the minister's response to this request, though not a major one is an augury of how he will deal with other amendments put forward. I am glad the amendment is before the committee.

Amendment agreed to.

Clause as amended agreed to.

[Mr. Greene.]

On clause 7—*Court of record.*

Mr. Bell (Carleton): On this clause I wish to raise two issues. One of them I dealt with briefly when speaking on second reading, the question of what normally will be the type of appeal. Is it the intention that the appeal shall generally be an appeal on the record, or that it shall be a hearing de novo?

I believe generally an appeal on the record would be less than satisfactory. Usually the appellant—the applicant for entry into Canada—at the time of the hearing before the special inquiry officer has little advice; often he may not be represented, and frequently he may not have had the opportunity to consider how best to present his case. An appeal on the record therefore would be less than satisfactory.

If the appeal is to be by way of a hearing de novo, is it to be a hearing de novo in all cases, or is that to be left to the discretion of the appellant or the board? On what basis is this to be determined? How will it be determined under what procedure an appeal shall be heard? Nothing in the bill deals with this matter.

Mr. Lewis: May I ask the hon. member whether clause 10 is not relevant?

Mr. Bell (Carleton): Which part of clause 10?

An hon. Member: Read it.

Mr. Lewis: It seems to me that that clause sets out the hearing procedure in general and as to the taking of evidence, in particular. It states that the board can act on the record as presented to it or take other evidence if it sees fit. I may have misread this, but it seems to me that the clause proposes that.

Mr. Bell (Carleton): It seems to me that clause 10 relates to what the board shall do after a hearing of an appeal by one of its members, and not to what that member hearing the appeal shall do.

Mr. Marchand: I propose to amend clause 10. If the hon. member wants to relate clause 7 to clause 10, perhaps he prefers to have clause 7 stand until the amendment to clause 10 is moved.

Mr. Bell (Carleton): Could I finish my comments about clause 7? I have dealt with the first matter that I think the minister should consider.

Next, I am concerned about subclause 2 (c), which reads as follows:

(c) receive such additional information as it may consider credible or trustworthy and necessary for dealing with the subject matter before it.

When does the board receive this? Is it at the hearing, subsequent to the hearing, or at some later date? In other words, how and when is additional information to come into the possession of the board? Also is it to be genuine evidence, or hearsay evidence, or anything that, in the imagination of the board, may be considered relevant? Is this additional information to be made known to the appellant? Must it be made known to him before the hearing or at the time of the hearing? The broad way this subclause is drafted shows to me that there is here a great potential for abuse.

No time limit is set out in the clause. If the board is able to receive additional information it may consider credible or trustworthy subsequent to a hearing, I think the appellant's hands are completely tied. These are the broadest powers I have ever seen, in the rights of a board, to receive information. I have grave doubts about this. Abuses might arise as a result of this clause. I should like to hear the minister's comments.

Mr. Marchand: It is clear from reading the bill that we want to constitute a board that will be independent and will have a status comparable to that of the ordinary courts. I think this board will have to use its discretionary powers about procedure, if procedure is not established in the law. I think most of the time, the board will proceed de novo. It might decide to proceed in some other way. It is provided in the amendment, which I hope will be accepted, that a member can report to the board and the board can decide on the report of the member who shall have been authorized to hear evidence. We want the board to have this power, and to exercise its discretionary power as it sees fit. I do not think we could foresee all cases. We should consider this board as a major board, with the responsibilities of a court.

I do not believe that all procedural details governing the ordinary courts are included in the regulations concerning those courts. For example the courts need not necessarily render judgments in writing. They do that however, and those judgments usually are accepted without complaint. This is the same kind of situation and we hope the procedure will follow the same lines as in the normal courts.

• (3:30 p.m.)

Mr. Bell (Carleton): The minister has made a comparison with the courts, but clearly the courts have no such power as exists under subclause 2(c). The rules of evidence would in no circumstances permit a court to receive the type of "additional information" which is here mentioned. I would ask the minister this: Is the "additional information" to be received at the hearing or outside the hearing? Will it be made known to the appellant? Will it be introduced after the hearing is all over, when the appellant may not have an opportunity to meet it at all? This is where the possible evil of this paragraph may lie. There is no limitation whatever placed upon it. This additional information might change the whole context of the evidence which was before the board. I think the appellant should have the right to know what is the case against him, and it should be made clear that there will be no opportunity for additional information to be brought forward in any circumstances after the hearing has been closed.

Mr. Marchand: The board is a court of record and I understand that if any information is given to it the appellant must have a copy, and it must be done during the hearing and not after. This is the whole spirit of the bill. I do not think we can gather, from reading this measure, that the board will decide these matters on the basis of documents which will not be produced during the hearing, outside the knowledge of one of the parties.

Mr. Bell (Carleton): That might be the spirit of the bill but assuredly it is not the letter.

Mr. Brewin: I should like to support the hon. member for Carleton. The trouble is that although this board is called a court of record it does, in fact, exercise the power of appeal from an administrative decision. It deals with all sorts of questions which are not strictly dealt with by the courts. It is my submission that the utmost importance attaches to making it clear that this appeal board will not act merely upon additional information which may be given to it later.

It is this kind of procedure, the hearing of reports not disclosed in the records, which has vitiated the appeals heard to date by the present appeal board. I suggest this subclause 2(c) is altogether unnecessary. The board is

more or less an administrative tribunal and it will have authority to receive information other than evidence in a court. It should not be given express authority to receive additional information, which implies that this is received other than in the normal course of hearings.

Mr. Orlikow: I wish to raise a subject which was dealt with yesterday by several hon. members. I raise it today partly because I was unable to be here yesterday. I speak with some hesitation because, unlike the hon. member for Carleton and my hon. friend from Greenwood, I am not a member of the legal profession. It seems to me that if this board is to be considered as a court, people who appear before it must have the right to be told the reasons for the denial of their application. If for example the board only has before it a statement from the Minister of Justice or from the R.C.M.P. to the effect that the applicant cannot be permitted to stay in Canada because he is a security risk, the hearing, in my opinion is reduced to an exercise in futility. I join with my hon. friend from York South who said yesterday that we do not expect the department or the security agencies of the government to divulge their sources of information.

Mr. Lewis: You are dealing with a separate question.

Mr. Orlikow: My hon. friend says I am dealing with a separate question. It may be. But I do think that a person who appeals should have the right to know precisely the reasons for which action is taken. If he cannot answer the accusations made against him, the court is really not a court at all—it can only be called a kangaroo court. If this is not the proper clause I can only hope that in some other clause we shall give people the right to obtain the information which is supplied to the board by the government, so that a man will be in a position to make an explanation of the circumstances and defend himself against charges made against him by some government agency.

Mr. Baldwin: I understand the minister will be dealing with clause 10 later, and that it may have some reference to clause 7. May I point out to him that subclause 2(a) provides that a summons may be issued to a person requiring him to appear. He may also bring with him certain documents. The reference is obviously to a situation where the board is sitting and witnesses appear before it. Then, subclause 2(b) provides for the administration of oaths and the examination of persons upon oath or otherwise. This obviously covers the entire gamut of the situation where evidence, documentary and oral, is heard by the board.

Plainly, then, subclause 2(c) must refer to some other kind of proceeding. It must have in mind hearsay evidence, evidence obtained outside the hearings from documents or even in the course of mere discussion. The board or any of its members would be quite free to obtain information from any other person by way of documents or otherwise and that information could be taken into account in reaching a decision.

The minister may tell us that this cannot happen. But our experience is that whenever powers are given those powers will be used, even if they were not provided intentionally. I think the minister should make it perfectly plain that this "additional information" will be information which the person concerned will have the opportunity of meeting. I believe this could be done very easily by way of an amendment.

Mr. Marchand: I am not in disagreement with anything that has been said, and if there is no objection on technical grounds I will try to meet the submissions of hon. members in this regard. So I will ask that clause 7 stand.

• (3:40 p.m.)

I do not believe an amendment is necessary because this board is really, to a certain extent, administering the law. Of course the board will receive some reports and these reports will have to be communicated to the appellant or his lawyer. This is normal. If that is not the situation under this provision, then it is not what I intended and if something can be added without destroying the purpose of the law I am ready to do it.

Mr. Lewis: I should like to add a word while the minister considers the point. I am not trying to lecture him, but I notice he considers that this is a court of record. It is a tribunal set up by statute. As the minister knows, it has no more jurisdiction than that which the statute sets out. It does not have what we call the inherent jurisdiction of courts. It is limited by what this statute says it can do. This explains the anxiety of some of us that a statute set out very carefully the limitation of its powers, as well as the extent of its powers. Even though you call it a court of record, it is not. It is a statutory tribunal which cannot go outside the limits of the statute, but can go the entire direction that

the statute permits it. Therefore the definition of terms is of extreme importance. I support the request for a change in clause 7(2)(c) and the minister's suggestion that the section stand.

Mr. Marchand: We will come back to it.

The Chairman: Does the committee agree now that clause 7 shall stand?

Clause stands.

On clause 8—*Board may make rules.*

Mr. McCleave: I wonder if I may ask two questions of the minister at this point? Under the rule making provision, would definite circuits be set up for the board in places in Canada outside of Ottawa? Would this be part of the purpose of this particular section?

Mr. Marchand: No, Mr. Chairman, I think the board can sit anywhere in Canada, according to clause 6 which we have just passed. Now of course the board is going to make regulations. The only thing clause 8 does is to empower the board to make these regulations, provided they are approved.

Mr. McCleave: I am sorry, Mr. Chairman, I did not understand that an amendment had in fact been passed to clause 6. I apologize to the committee for that. Will the board have sufficient flexibility to sit, not at regular intervals, but immediately when a case should be determined without causing the appellant to wait perhaps an unnecessarily long time? This was a criticism I heard directed at this bill some time ago by a person who nominally supports the government, that perhaps our approach in parliament was wrong. Will people not be forced to wait unnecessarily long before their cases are heard?

Mr. Marchand: Clause 6, which was adopted, indicates that the board may sit at such places in Canada as it sees fit. The board will therefore sit wherever it desires. I do not feel we can fix by statute the place where it shall sit or the circumstances under which it shall sit. I believe this should be up to the board to decide.

Mr. McCleave: Yes, but on the other hand the board is not limited to definite sittings at definite times. There is this flexibility as a result of the amendment.

Clause agreed to.

Clause 9 agreed to.

On clause 10—*Hearing and determination by one or more members.*

Mr. Marchand: I shall ask my colleague the Minister of Industry to move this amendment, Mr. Chairman, which reads as follows:

That bill C-220 be amended by striking out clause 10 and substituting therefor the following:

10. (1) The Chairman of the Board may direct that evidence relating to an appeal under this act be received, in whole or in part, by a member of the board and that member has and may exercise all of the powers of the board in relation to the hearing of an appeal.

(2) A member by whom evidence relating to an appeal under this act has been received pursuant to subsection (1) shall make a report thereon to the board and a copy of the report shall be provided to each of the parties to the appeal.

(3) After receiving any report made under subsection (2), and after holding a rehearing, in whole or in part, of the appeal if in its discretion the board deems it advisable to do so, the board shall determine the appeal.

I believe this takes into account the points that were mentioned yesterday. A member sitting alone will not be entitled to make a judgment. He will have to report to the board, which will decide the matter. This is the first point. The second point is that the report will be given to the appellant.

Mr. Bell (Carleton): This represents a considerable improvement, Mr. Chairman.

Mr. Drury: I so move.

Mr. Lewis: I just want to say briefly that I am pleased the minister has reworded clause 10. This amendment meets the points I made yesterday and which I think were made by others as well. I appreciate very much the minister's consideration of these points. The new section, in so far as it deals with these matters, seems to me to meet the case.

Mr. Brewin: I want to propose a further amendment to clause 10, Mr. Chairman, but it does not in any way detract from the amendment the minister has already introduced. The effect of my amendment would be to add a new subclause (5) which would read as follows:

(5) The board shall at the request of the appellant or of the minister give reasons for its disposition of an appeal.

I wondered whether it was appropriate to move this amendment to clause 10 or whether it might more appropriately come under clause 14. However, I noticed that clause 14 deals only with appeals under clauses 11 and 12, and clause 17 deals with a different type

of appeal, an appeal by a sponsor. The principle I want to establish in this amendment is applicable to all types of appeals. The proposed amendment deals with a matter that has already been discussed by my colleague the hon. member for York South.

The purpose of this is to ensure that when this board decides cases it shall, if either the department, the minister or the appellant so desires, furnish reasons for its decision. I think it is an essential principle, not only for this tribunal but for all tribunals dealing with administrative matters. I have discussed the question with the minister and with the deputy minister. They have suggested to me that a court of record would, without the indication of such a clause and as a matter of general practice, give reasons for its judgment.

Well, I have had a great deal of experience, if I may say so, both in courts of record and in other tribunals, and quite frequently no reasons are given. The present Immigration Appeal Board habitually gives no reasons. The result of this is not only a feeling of injustice by the aggrieved party, but the failure to build up a system of jurisprudence as it were, a system of principle, upon which decisions of this tribunal are based. It may very well be said you could leave that up to this court of record. I say to the minister, through you, Mr. Chairman, that despite the advice the minister may have received from other sources it is not a fact that courts of record automatically give reasons, whether they are asked for them or not.

• (3:50 p.m.)

There is another point involved in this. By a later clause the bill purports to grant a right of appeal on matters of law to the Supreme Court of Canada, but this right of appeal can be rendered absolutely valueless because an appellate tribunal such as the Supreme Court of Canada cannot possibly determine whether any points of law are involved or whether they are erroneous or sound, without seeing the reasons. There may be many cases in which the only reasons which need be given are short ones such as: According to our previous decision in such and such a case this appeal is dismissed, or allowed, as the case may be. Perhaps the reasons would not have to be elaborate, but unless the basis for the decision is made available, then half the purpose of the whole bill could be destroyed.

I am not proposing something that is unique in this field of immigration. Those who have studied administrative tribunals and appeals therefrom in other fields are beginning to insist that this be the practice in order to make the system work with justice and fairness and in a way which is consistent, so that you do not have one decision by one board constituted in one way today and a totally different series of decisions when boards are differently constituted in the future.

I do not believe that in principle the minister has any objection to my amendment. I think his only objection is, as he says, that it is not necessary. I beg to differ with him. If it is not necessary, then no possible harm can be done by making sure that in cases where one party or the other desires reasons they shall in fact be made available. By doing this we would strike at what has been such a hopeless situation under the present immigration appeals system, where consistently nobody knows why a particular case has been disposed of in a certain way. They cannot, therefore, either complain about it, ask for a rehearing, or understand for the future the principle supposed to have been involved.

Mr. Marchand: Mr. Chairman, as I mentioned before, it is not an objection in principle. I agree that it should be so. If it were not so, I would be seriously disappointed because then it would not be the court which we intend it to be. I do not know of any court which by law or statute is compelled to render a written decision. We presume the board will do this, because as the hon. member mentioned it is a court of record and it is our understanding that the board will give reasons.

This court or board may have several hundreds of cases before it and probably many of them will not deserve any written decision. Possibly the applicant himself will not insist on having a decision or possibly he may not desire for personal reasons to have a decision. So, I do not see why we should compel the board to do so. Even if this suggested amendment were acceptable—and I do not believe it is—clause 10 is the clause which deals with the proposition that the chairman of the board may authorize a member of the board to make an inquiry, and report to the board. I think it should be placed somewhere else. I am neither a lawyer nor a technician, but it would hurt my good sense to include it in this clause. I do not believe this would be the proper place.

Mr. Brewin: Mr. Chairman, I would be quite happy if this matter were placed in a separate clause. I agree with the minister that

it would more properly come under clause 14, which deals with the disposition of the appeal by the board, but the difficulty in this regard is that clause 14 refers only to appeals under sections 11 and 12. It is my view that the amendment I have proposed should apply in addition to appeals under clause 17 by sponsors. It could be placed in a separate clause and I would be happy if the minister would give consideration to this.

With regard to what he said about hundreds of cases, and perhaps that the appellant may not wish reasons, this is precisely why it should be only at the request of the appellant or the minister. At some stage or another the minister may desire to have the reasons. It is only at the request of one of the parties that the board would be required to furnish reasons for its decision. The reasons of course could be delivered orally at the hearing or in writing after the hearing.

The minister says he does not know of any other cases where a court is compelled to give reasons. The hon. member for York South pointed out that although this is a court of record it is a statutory tribunal with the powers given to it by statute, no more and no less. If the minister does not think that clause 10 is the right place to have this provision, I would be glad to withdraw it, if it can be included in some other place.

Mr. Bell (Carleton): Mr. Chairman, may I make a suggestion to the hon. member for Greenwood. I am in agreement with the amendment he has advanced. It seems to me that the appropriate place for his amendment would be in a new subclause (3) of clause 7, which has been allowed to stand. His amendment might be moved when we are considering that clause.

There is one other point I should like to mention to the hon. member for Greenwood. In the way in which he has drafted his amendment is it not possible that he is depriving the board of the right to give reasons on its own initiative? It seems to me that his draftsmanship may mean that the reasons can be given only when the appellant or the minister asks for them. I think this would be unfortunate.

I would suggest that if the hon. member proposes to move his amendment, it should read:

> The board may, and at the request of the appellant or of the minister shall, give reasons for its disposition of an appeal.

Mr. Brewin: I am very grateful to the hon. member for Carleton, and I think his suggestion is a good one. I am very glad to accept it. It was not my intention to say that the board might not give reasons whenever it saw fit to do so. I should be glad to have discussion as to where the amendment should appear. I do not care where it comes in, so long as the principle is established.

Mr. Marchand: Mr. Chairman, if the house would approve clause 10 as it stands amended, we could immediately revert to clause 7, and I would be ready to accept this amendment to create a new subclause 7 (2) (d).

Mr. Bell (Carleton): I think it would be better to have a separate subclause (3). I do not believe it could be subclause (2) (d).

The Chairman: Order. If I read the amendment of the hon. member for Greenwood correctly, it is a second amendment. That being so, the only amendment before the committee at the moment is the amendment proposed by the Minister of Industry. Perhaps it might be proper at this time to deal with his amendment and then deal with the proposed amendment of the hon. member for Greenwood later. I might point out to members of the committee that I am not sure we are following the proper procedure here. It might be the better procedure to put the further amendment to clause 10 in the original bill, as being part of the bill, and then institute the new clause proposed by the minister. There appears, however, to be some general acceptance of this particular amendment and perhaps we might proceed as has been suggested.

Is the amendment to clause 10 moved by the Minister of Industry agreed to?

Some hon. Members: Agreed.

Amendment (Mr. Drury) agreed to.

Clause 10 as amended agreed to.

• (4:00 p.m.)

Mr. Marchand: Mr. Chairman, may we revert to clause 7, which was allowed to stand?

The Chairmon: Does the committee agree to revert to clause 7?

Some hon. Members: Agreed.

On clause 7—*Court of record.*

Mr. Marchand: Mr. Chairman, it is proposed by the Minister of Agriculture that clause

7(2)(c) be amended by adding at the beginning the words "during a hearing".

Mr. Greene: I so move, Mr. Chairman.

Mr. Bell (Carleton): Mr. Chairman, this was the suggestion I made privately to the parliamentary secretary, which I understand he has taken up with the law officers. Having made the suggestion initially, the amendment is entirely agreeable to me.

Mr. Brewin: Mr. Chairman, is it appropriate now for me to move as an amendment to clause 7 as amended a further subclause (3) which would read, as suggested by the hon. member for—

The Chairman: Order, please. Perhaps I could suggest to the hon. member for Greenwood that we first deal with the amendment moved by the Minister of Agriculture. Then I would hear the hon. member on the amendment which he would like to propose. The Minister of Agriculture moves:

That subclause (2) (c) of clause 7 be amended by adding at the beginning thereof the words "during a hearing"

Does the committee agree to the amendment?

Some hon. Members: Agreed.

The Chairman: Shall the amendment carry?

Amendment agreed to.

Mr. Brewin: Mr. Chairman, I should like to move a further amendment to clause 7:

That clause 7 as amended be further amended by adding thereto subclause (3) reading as follows: "The board may, and at the request of the appellant or the minister shall, give reasons for its disposition of the appeal."

Mr. McCleave: Mr. Chairman, I should like to raise a point in connection with this amendment. Maybe I have misread this provision, but would it not be possible under certain circumstances that the person who wants to be a citizen would be in the position of a respondent and the minister would be the appellant? That is to say, should the phrasing be "the appellant or of the minister", or should it be something broader? This is the question I want to ask the mover of the amendment.

Mr. Brewin: The hon. member for Halifax may be right, Mr. Chairman, but I think on reflection that only two types of appeal are possible, one by an individual who is then described as an appellant, and one by the minister. But perhaps the point the hon. member makes is that the minister might appeal and the individual might be the respondent, and as such might like to see the reasons for the decision.

Mr. McCleave: Yes.

Mr. Brewin: Perhaps there is a point in what the hon. member says.

Mr. Baldwin: The hon. member for Greenwood may be assuming that the minister is never going to appeal.

Mr. McCleave: Mr. Chairman, perhaps I could solve the dilemma since I created it. Instead of the words "appellant or of the minister" should we not say "or either one of the parties to the appeal"? Would that not solve the problem?

Mr. Lewis: Mr. Chairman, I think the hon. member is correct. May I move it formally. I move as a subamendment:

That the words "the appellant or of the minister" be deleted and the words "of either party" be substituted therefor.

The subclause would then read:

The board may, and at the request of either party shall, give reasons for its disposition of the appeal.

If you will give a moment, Mr. Chairman, I will write it out.

The Chairman: May I suggest to the hon. member for York South that perhaps the proper thing for him and the hon. member for Greenwood to do would be to get together and redraft the amendment.

Mr. Lewis: With pleasure, Mr. Chairman.

Mr. Marchand: I think we should say "either of the parties to the appeal", Mr. Chairman.

Mr. Brewin: We are all agreed.

Mr. Knowles: Mr. Chairman, I wonder whether I may suggest that the hon. member for Greenwood be permitted to withdraw the wording that he gave originally and substitute for it wording as follows:

The board may, and at the request of either of the parties to the appeal shall, give reasons for its disposition of the appeal.

• (4:10 p.m.)

Mr. Brewin: Mr. Chairman, the hon. member for York South is writing out just that wording. Everybody seems to be agreeable, and I am certainly agreeable to withdrawing my original amendment and substituting this

new one. There was some confusion in the matter and I should like to ask for the withdrawal of my previous amendment. I now suggest the following amendment:

That clause 7 of Bill C-220 be amended by adding thereto the following subclause:

"3. The board may and at request of either of the parties to the appeal shall give reasons for its disposition of the appeal."

The Chairman: Is there agreement in the committee to the withdrawal of the amendment originally suggested by the hon. member for Greenwood?

Some hon. Members: Agreed.

Amendment (Mr. Brewin) withdrawn.

Mr. Brewin: I now move in substitution the amendment in the terms I have just suggested.

Some hon. Members: Agreed.

Amendment (Mr. Brewin) agreed to.

Clause as amended agreed to.

On clause 11—*Appeal on question of law or fact.*

Mr. Lewis: Mr. Chairman, I have an amendment but I am not sure whether the minister would agree that this is the proper place for it. It covers all appeals under clauses 11, 12 and 17.

What I am concerned about is the provision in the bill which would require the minister to give the appellant the grounds on which the rejection of his application was originally based. However, it seems to me now that my amendment would be more appropriate under clause 19. I thought I should mention it at this stage, since clause 11 is the first clause dealing with the right of appeal.

Mr. Marchand: Mr. Chairman, may I make it clear that even if I agree with the hon. member that the proper clause under which this amendment should be moved is clause 19, I would not like the hon. gentleman to believe that I am ready to agree to his amendment under clause 19.

Mr. Knowles: The minister has not yet heard the arguments.

Mr. Baldwin: I should like to put a question to the minister which relates to the debate we had yesterday. It was a very good debate and I am sorry that I could not stay to hear the minister's reply when he closed the debate. However, I understand from reading *Hansard* that he substantiated the position taken by his parliamentary secretary and intimated in no uncertain terms that in hearing an appeal the board would have the right to base its decision on humanitarian grounds, regardless of the regulations contained in the act. This is what I understood from his speech, and if I am wrong he can correct me.

The point I should like to raise refers to the following words in clause 11: "on any ground of appeal that involves a question of law or fact or mixed law and fact". What question of fact can be involved in an appeal? The only question of fact which can be considered by the board is whether or not there has been a failure to comply with a section of the act, and subject to that a deportation order may be made.

Mr. Marchand: May I tell the hon. member that I wish to amend clause 15, and this may satisfy his objection.

Mr. Baldwin: I am quite agreeable to that.

Clause agreed to.

Clauses 12 and 13 agreed to.

On clause 14—*Disposition of appeal.*

Mr. Bell (Carleton): Mr. Chairman, last evening I gave notice of my intention to move an amendment to clause 14. The minister has indicated that he intends to move an amendment to clause 15. He also said that he was in general agreement with the amendment which I proposed to clause 14. Could he indicate at this time whether I should go ahead and move my amendment, or wait until he indicates his intention with regard to clause 15? This might avoid additional debate.

Mr. Marchand: Mr. Chairman, may I suggest that we stand clause 14 so that we could first deal with my amendment to clause 15, which may solve the problem with regard to clause 14.

The Deputy Chairman: Is it agreed that we stand clause 14?

Some hon. Members: Agreed.

Clause 14 stands.

On clause 15—*Execution of order.*

Mr. Marchand: Mr. Chairman, my colleague, the Minister of Agriculture, moves the following amendment:

That clause 15 of Bill C-220 be amended

(a) by striking out lines 26 to 29 on page 5 and substituting therefor the following:

"(ii) the existence of compassionate or humanitarian considerations that in the opinion of the board warrant the granting of special relief,

the Board may direct that the execution of the order of deportation be stayed, or may quash the order, or quash the order and direct the grant of entry or landing to the person against whom the order was made."

(b) by striking out line 32 on page 5 and substituting therefor the following:

"stayed, it shall allow the person concerned to come into or remain in"

(c) by striking out lines 45 to 49 on page 5 and substituting therefor the following:

"(a) has been stayed pursuant to paragraph (a) of subsection (1), the board may at any time thereafter quash the order; or

(b) has been stayed pursuant to paragraph (b) of subsection (1), the board may at any time thereafter"

The effect of this amendment would be to broaden the authority of the board in view of the present more restricted wording of clause 15 (1) (b) (ii) which reads: "the existence of other exceptional circumstances". So we introduce here the concept of humanitarian and compassionate grounds. This point was stressed yesterday by many hon. members, and as far as this question is concerned I presume that the new wording is more satisfying than the present wording of the bill.

• (4:20 p.m.)

Mr. Greene: I so move.

Mr. Bell (Carleton): Mr. Chairman, I think that in this amendment the minister has substantially met the representations which we on this side of the house made in relation to this matter. I think this is a very considerable advance and is a worth-while amendment which, in substance, meets what we have in mind. I would be prepared, as I am sure would my colleagues, to accept this amendment, and under the circumstances I will not proceed with the proposed amendment to clause 14.

Mr. Lewis: Mr. Chairman, I imagine that the minister and his advisers spent a great deal of time, into the night, preparing these amendments and I congratulate them upon the result and express our appreciation, even though the minister spent some sleepless hours. What he has produced is a very worthwhile change.

Mr. Marchand: Perhaps I will gain a few hours tonight.

The Deputy Chairman: Shall the amendment carry?

[Mr. Marchand.]

Some hon. Members: Carried.

Amendment (Mr. Greene) agreed to.

Clause as amended agreed to.

The Deputy Chairman: Is it agreed that we now revert to clause 14?

Some hon. Members: Agreed.

On clause 14—*Disposition of appeal.*

Mr. Marchand: Mr. Chairman, I am just wondering whether the objections of the hon. member for Peace River have been met.

Mr. Baldwin: Yes, Mr. Chairman. This goes beyond the power of staying, and relates to the specific power of quashing an order. It meets my point precisely.

Clause agreed to.

The Deputy Chairman: We shall now consider clause 16.

Clause 16 agreed to.

On clause 17—*Appeal from refusal to approve application.*

Mr. Marchand: Mr. Chairman, I shall ask my colleague the Minister of Agriculture to move:

That clause 17 of Bill C-220 be amended

(a) by striking out line 13 on page 6 and substituting therefor the following:

"17. A person who has made application"; and

(b) by striking out lines 22 to 24 on page 6 and substituting therefor the following:

"this section may be taken only by such persons and in respect of such classes of relatives referred to in the regulations as may be defined by order of the governor in council".

The purpose of the amendment is to modify the first line of clause 17, which restricted to Canadian citizens the right of appeal in cases of sponsorship. The governor in council will now have the authority not only to determine the classes of relatives for which this right of appeal will exist, but at the same time will have authority to determine the person who may take an appeal. This means that not only Canadian citizens but eventually even landed immigrants could exercise this right of appeal.

There is no doubt that this amendment would leave all of the powers in the hands of the governor in council. But as I have said, Mr. Chairman, we did intend to do this, which is why we inserted clause 17. However we do not want to be pushed too fast in this direction, because we should like to know

what will be the exact consequences of granting such right of appeal. Therefore the governor in council is given the authority to make regulations and to experiment, as it were, first of all with one particular class, and then extend the provisions of the clause to classes other than Canadian citizens and even to landed immigrants.

Mr. Greene: I so move.

Mr. Bell (Carleton): Mr. Chairman, I am afraid that I cannot greet this amendment with the enthusiasm with which I greeted the last one. I must take the attitude that this is a sophistical amendment. What it does is to purport to give in the first part—and with that I agree—and then to take away or to give the potential of taking away in the second part. The first part of the amendment extends rights which heretofore have been confined, in the clause as drafted, to Canadian citizens. This amendment would extend the clause to any landed immigrant, in which proposal we concur. The first part of the amendment we will certainly support.

In the second part of the amendment the minister has potentially reduced the first part of the amendment to an absolute nullity. He has given the right to go behind this parliament into the secrecy of the cabinet chamber and to say no, landed immigrants will not have the right to make an application. I think that this is unsatisfactory.

In addition to this, Mr. Chairman, the minister has taken, and insists upon taking, the right to say that the classes of relatives shall be those only as defined by the governor in council. The committee has no means whatever of knowing to what classes of relatives the governor in council will extend this right, and in my view the amendment is totally unsatisfactory in this respect.

As a third ground I confess to my disappointment that the minister has not included in this amendment the same principle enshrined within his amendment to clause 15. If this amendment were carried we would have strict, immediate application. What some of us were seeking to achieve was to bring into this clause the humanitarian and compassionate considerations to which the minister agreed in relation to clause 15.

I would urge the minister at this stage, if he will, to amend this clause by including the very words he has just asked the house to adopt in clause 15. If he were to insert in line 21 the words "or the existence of compassionate or humanitarian considerations that in the opinion of the board warrant the granting of a special relief", he would then give the discretionary power for which some of us on this side are asking.

In the manner in which this amendment is drafted it is unsatisfactory. It is giving with one hand and taking away, or potentially taking away, with the other. It does not import into this clause any of the compassionate or humanitarian considerations which might lead to the granting of relief. I submit that the minister is being inconsistent. If he is prepared to do this in clause 15, there is no reason whatever why he should not do it in clause 17. I hope the minister will not dig his heels in but will give the matter further consideration.

• (4:30 p.m.)

Mr. Lewis: Mr. Chairman, I want to say a word along the lines of the remarks of the hon. member for Carleton. I have an additional suggestion deriving from some of the minister's remarks last night which appear to me to have validity and to deserve consideration by the committee. I hope we shall find some way of voting separately on the two points in the minister's present amendment. I would support the first amendment. However, I have the same objection to the second amendment as I had, and as the hon. member for Carleton and others expressed, against the original wording.

I am sorry to say to the minister that nothing he said last night on this point or anything he added today convinces one that his position is right. Again it seems to me that he is stating the position out of fear that this appeal tribunal might take over some of the functions of the department. Really, I do not know what is worrying him. I do not know why he should ask this committee to give the governor in council the authority which, in effect, would enable it to limit the class of persons who may appeal, just as narrowly as the minister may decide. I cannot for the life of me see how he can ask us to support that. The minister takes unto himself a different authority, in a sense, from that under the original wording.

Under the original words the minister could limit the area in which appeals may be made to such classes of relations as may be referred to. In the present wording it is not only the classes of relations, but it is also the classes of sponsors, if the words "by such persons" mean anything.

The minister takes unto himself and unto his colleagues in the cabinet the right by order in council to decide who in fact will be able to appeal. He may decide to limit the right of appeal to a very narrow sector. Why should that be, Mr. Chairman? Why, if he has given the right of appeal, should it not be available to every person falling within the general words of the earlier part of clause 17? The minister will have to produce more cogent reasons than he has to this point, before my colleagues and I can support the second part of his proposed amendment.

I mention the second point, that the appeal board should be able to deal with an appeal by a sponsor on its merits, rather than merely being able to consider the technicalities and whether they have been met. I was impressed to some extent by the minister's plea last night that this is not the place to give the appeal board the power to go beyond the confines of the law, to make decisions on humanitarian and other grounds which may be outside the actual law. That sort of thing requires a change in the substantive law itself. I think there is much logic in that.

At the appropriate time we wish to move an amendment. Perhaps I could read it to the minister now, or mention it to him, to see whether he might not consider it favourably. We would move that we import into clause 17 language the minister has introduced into clause 15, but that instead of giving the board authority to make the final decision the board have authority to recommend to the minister, that he might make the final decision. That occurred to me in response to the appeal the minister made last night.

I appreciate that one of the purposes of the separate appeal tribunal is to reduce the onerous duties in the field of discretion attached to the minister. Those duties come into play after an appeal has been heard. Under the present legislation you go from the appeal tribunal to the minister. I appreciate that the whole idea of this bill is to make the decision of the appeal board final. But I would much rather take a crack at an idea and give the appellant the opportunity to place his case before the board. That case should include human and compassionate considerations which moved him to appeal. If the board, this independent tribunal, considers his appeal, his pleas, his grounds, then, to maintain the power in the minister to administer the act and to maintain in him the authority to make special exceptions, rather than having the board make the exceptions, I should be ready to agree that instead of the board making the final decision, it recommend the matter to the minister.

We have a proposal to change that clause. I shall read it, in the hope that the minister may think it worth considering. Our proposal is in language to this effect: that in an appeal under this clause the board may also take certain things into account—and may I stress here the word "also". The wording I am suggesting is not wording which says "notwithstanding the act and the regulations." The board has to consider the act and the regulations in the first place. We should like the clause to say that the board may also take into account the existence of compassionate or humanitarian considerations that in the opinion of the board warrant the granting of special relief, and that it may make such written recommendation thereon to the minister as it deems desirable, advisable or just—I do not care what adjective is used.

Summarizing, I add my words to the appeal of the hon. member for Carleton. I am sure that appeal will be repeated by others. I ask the minister not to be adamant about seeking the power to narrow the area of the right of appeal. The minister has a board of seven members. The amended clause 7 gives the chairman of the board the right to have the hearing taken by one member only, so far as evidence is concerned. There is no reason to assume that the board will have too heavy a load if everyone who is a sponsor, a citizen or landed immigrant—whoever makes the application—has the right to appeal.

I hope the minister considers this carefully because this is an important question. I am trying to be as unprovoking as I can be. I feel more strongly about this than the mildness of my words suggests. I do not see how the minister can ask parliament to give him a blank cheque to say who shall and who shall not have the right of appeal. This is what this new amendment directs us to do. It establishes the general right of appeal and then says that the minister shall determine—because the governor in council means "on the advice of the minister"—who shall have the right to appeal. He asks us to give him a blank cheque in that area. I do not think he should do that.

I appeal to him to import into this clause the right of the board to consider compassionate and humanitarian pleas, and to consider them on their merits. Personally, I should not mind were the board given authority to make the decision or order. It ought to be able to decide on the basis of all the circumstances of the case. But if the minister still feels that

that authority should not be given to the board, that exceptions should not be made by this board, but should be made, as formerly, by the minister under his discretionary powers, I am quite prepared to agree that the board, instead of making the final decision, recommend to the minister on the basis of all the evidence it has received.

• (4:40 p.m.)

If the minister does these two things, the right of appeal by a sponsor will have real meaning to the people concerned. In every case with which I have had to deal, the people concerned are usually emotionally involved. These cases affect their future and the future of their relatives and all these things are terribly important to them. I am sure the minister is as aware of this as I am. I do not think it is possible to meet a situation involving such real human concern by an amendment such as the minister is proposing, unless there is the power to consider factors other than the technical grounds of an appeal.

Mr. Brewin: I should like to reinforce the appeal which has been made to the minister with respect to clause 17. There are two parts involved. The first question is: Who has the right of appeal? I would point out to the minister that there are two sides to this matter of sponsorship. Who can sponsor? This is decided at the present time by the regulations. The regulations set out the relationships which are permitted, the financial circumstances, and so on. The other question is: Who may be sponsored? The two go together.

In either case the minister, or the governor in council, by making regulations specifies the classes of people who may be sponsored and lays down the general rules, and it is my suggestion that all those who are named as potential sponsors should have the right to go to the appeal tribunal and say: We have been ruled out, although we comply with the general regulations laid down. There is no reason whatever why the governor in council in addition to setting out the rules of sponsorship should tell one class of sponsors that they have no right of appeal.

On this question of the right of appeal, may I remind the minister and the department that sponsorship is itself based upon compassionate grounds, upon relationships. We have two streams of immigrants, as the minister well knows—those we allow to enter on economic grounds because of the contribution they are likely to make to this country, and those who are allowed to come in on compassionate or family grounds. The regulations necessarily spell out in some detail the conditions of entry.

For example, a person may be allowed to sponsor a grandmother, but in order not to extend the category too far an age limit is imposed—she must be over 65, or over 70. Or certain financial conditions may be imposed. But it is precisely considerations of this kind which cannot finally be dealt with in accordance with rigid rules. If, in the other field, when an order of deportation has actually been made, the appeal board is given the right to make orders on what might be called compassionate or discretionary grounds, then in respect to appeals by sponsors there is no reason why the board should not be entitled to take into account the very situations which I know the minister will have taken into account in the past when making discretionary orders with respect to these sponsored immigrants.

I think the minister has shown a laudable willingness to accept suggestions in this field. I would say to him that those who are affected by this measure will feel their rights are infinitely better safeguarded if they are not subject to what could be an arbitrary limitation.

The minister, through the governor in council, confers certain rights. Let those rights be subject to appeal, irrespective of who the sponsors are. If this is done the appeal board will become a more generous and worthwhile recognition of the human problems involved in these cases.

Mr. Roxburgh: Last night I spoke briefly on this matter urging that the board should be able to act in certain of these cases on compassionate grounds. The minister must have a reason for the position he is taking and I would like him to tell the committee what that reason is.

Even if the power to take into account other than strictly legal considerations were used only sparingly it would give the people concerned greater confidence in the government and in this parliament. After all, notwithstanding the law and the regulations now in effect, a number of cases have in the past been determined on compassionate grounds. As I say, I should like the minister to tell us the reason for his objection to the course suggested; I am sure he must have a very good one.

Establishment of Immigration Appeal Board

• (4:50 p.m.)

Mr. Marchand: There is a good reason. It is because I am convinced this authority already exists under clause 17.

What we are dealing with here, as I mentioned a few minutes ago, is sponsored, not unsponsored, immigrants who have to meet the requirements of the law. The very essence of sponsorship is compassion and humanitarian reasons. These immigrants are not accepted into Canada because of their qualifications but because they are relatives of Canadian citizens or landed immigrants. Clause 15 was modified because in cases of deportation you may be dealing with people who do not meet the requirements of the law and who are not sponsored immigrants. We therefore added the reference to compassion and humanitarian grounds.

This board has all of the powers that the minister and the department have right now under the Immigration Act. This means the board can do anything I can do, as minister. They can exercise all the powers that I exercise under section 8 of the Immigration Act. As the hon. member mentioned a few minutes ago, sponsorship is related essentially to compassionate and humanitarian reasons. It is for this reason I do not believe we have to mention these things.

If it will facilitate the passage of the bill, if everybody would be happy, I have no objection to adding humanitarian and compassionate grounds in the clause. However, I firmly object to removing from the authority of the governor in council the establishment of classes. I believe we are conducting an experiment, not because we have been pushed to do so but because we wanted to try to give immigrants new rights. We want to see exactly what the consequences of our policy will be. We have initiated this provision of course with the intention of applying it. We do not want this law only to have it on the statute books. I believe the house should accept clause 17, even if we modify it in the way mentioned a few minutes ago.

In so far as the rest of the clause is concerned, I think we should make this experiment. We are not taking any rights away from the immigrants. They will still have the right to sponsor their relatives. The only thing we add is the right to appeal against a decision, and at the beginning we want this right to be regulated by the governor in council so that we will know exactly the impact on our policy. This is something which has never been tried anywhere else.

[Mr. Roxburgh.]

If an amendment is proposed to add these two words, I have no objection. I do not believe it is necessary. However, in view of the atmosphere in the committee this afternoon, I do not think I am in a position to refuse to put in these words, particularly since I have said I believe they are there now in spirit. I would object to another amendment concerning the powers of the board.

Mr. Bell (Carleton): If I were convinced that the minister is right and the board under this clause 17 has the complete powers of the minister, I would not press the matter. I am afraid I am unable to convince myself of that. I think the board here is confined to a legalistic approach and cannot, under clause 17, exercise the discretionary authority the minister has. I am concerned about the situation of a person who comes squarely within one of the prohibited classes under section 6, for example a diseased person who may be the last member of the family in the native land. I do not believe such person could be admitted as a sponsored immigrant under the legislation as it now stands. It is for that reason, and since the minister has invited it, I should like to suggest the following as an amendment:

> That clause 17 be further amended by adding thereto after the word "application" in lines 20 and 21 thereof the following:
>
> "or that there exist compassionate or humanitarian considerations that in the opinion of the board warrant the granting of special relief"

I have given a copy of this proposal to the parliamentary secretary, and perhaps the minister has had an opportunity to consider it. Without doubt, this amendment would meet the type of problem which some of us have in mind.

Mr. Orlikow: I rise to express some considerable surprise that the minister would be so adamant in his feeling that he and his department must retain the right until some later date to define the classes of relatives for whom an appeal may or may not be made. Yesterday and today the minister has been so reasonable, so compassionate, in accepting amendments designed to broaden the bill. I do not know why he now reverts to an attitude which we have seen so often in the past, that this right of the governor in council must be retained.

I am certain the minister is aware of the discussions which the special joint committee dealing with the white paper on immigration has been having. I am sure he must be aware

of the fact the most persistent and vocal critics of the government's white paper in respect of the whole problem of immigration are the members of his own party, the hon. member for Hamilton West and the hon. member for Essex West. They have been most persistent. When I say "persistent" I am putting it mildly. They have been the most vocal critics of the whole approach as enunciated in the white paper.

It seems to me that the only purpose of the last part of the amendment which the minister is moving now is again to give the department, at some future date, the right to restrict. It does give the right to restrict the type of person who may appeal. I wonder what the reason is. If a person in Canada has the right to sponsor the admission to Canada of somebody, that means he is a citizen of Canada or a landed immigrant. He makes an application to bring in a relative because he believes that person comes within the class of persons permitted to come to Canada as sponsored immigrants. If the application is turned down and if that person wants to appeal to the board which is being set up under this bill, why should the governor in council want to restrict the classes for whom appeals can be made? It makes no sense. It seems to me the minister is going right back to the kind of departmental authoritarianism which gives the department the right to do things without explanation, to which so many members on both sides of the house have objected in the past.

• (5:00 p.m.)

Let me say one more thing before I sit down. If I could be sure that this minister would be the minister forever and that this deputy minister would be the deputy minister forever, I would not be so worried. I am sure I speak not only for myself but for many members, although not all members, of this house may have had individual cases. When I say that, let me add that although not every case I have taken to the minister or the deputy minister has been settled in the way in which I would have liked it to be settled, very freely and honestly I would have to say that I cannot remember a case, even when the request had been turned down, in respect of which I did not feel that there were at least reasonable doubts.

Mr. Chairman, we have had long experience with other ministers and other deputy ministers. I can remember a minister who once made the statement—and I am paraphrasing—that he was a good deal more in sympathy with persons born in Canada than with persons who were born in other countries. I can remember another minister of this department who once had in mind introducing regulations which many members of parliament, particularly those from the Toronto-Hamilton area, felt were directed almost exclusively against potential immigrants from Italy.

I am not saying that such is the intent in respect of this amendment. I am not saying that this minister has this kind of desire or that he would think along these lines. What I am saying is that if we pass the amendment as proposed by the minister it will give some minister in the future the opportunity to do by regulation, by order in council, what the government and the members of this house would not want him to do as a matter of policy. Therefore, as I say, I cannot understand the desire of the minister to have this right of limitation, which I think is unnecessary. While I do not desire to prolong the debate, I must say to the minister that this request which he is making, it seems to me, requires a good deal more explanation than we have had up until now.

Mr. Marchand: Mr. Chairman, by this clause we are not restricting any rights; we are creating new rights.

Mr. Orlikow: Mr. Chairman, I should like to suggest to the minister that what he is saying is only partly true. It is true that in the first part of the clause he is creating new rights on the one hand and then in the latter part of the clause he is giving himself, or a future minister, the right, on the other hand, to take away those rights. This is what we are objecting to.

Mr. Marchand: Mr. Chairman, had it not been our intention to give those rights to certain categories of immigrants or Canadian citizens, it would have been silly to write this into clause 17. It is there because we intend to do it. I think members of the house should be aware that we are introducing something new and very important. Someone stated a few moments ago that under the present law a landed immigrant has the right to sponsor. Formally speaking, this is not true; he has the right to apply. In this clause we are creating the right not only to apply but to sponsor directly, even if the department does not agree. That means there is not only the right to apply, but also the right to sponsor. This is new, and we desire this. If we did not, I do not see why we would have included it here.

This is something new and we wish to apply it gradually so that we will know exactly where we are going. Although some hon. members may assume that this is the case, I do not think there is any reason for them to believe that we do not intend to give these rights. Nobody pushed us into this. We created this clause because we believe in the right of appeal. We know that eventually those rights of appeal probably will be extended to all immigrants and Canadian citizens. This is what will happen. If one should look at the evolution of this law I think he would find, even so far as the regulations are concerned, that the trend has been not to restrict the classes of persons who could be sponsored but rather to widen or enlarge the grounds.

Outside the law there is something else which exists in this country; that is, democracy and pressure on the government. As has been apparent, even some members on this side of the house are interested in this clause being really practical and having an influence on our immigration policy. What we are asking—which I think is only reasonable—is that under this clause we have the opportunity to apply this new provision gradually so that we know exactly what impact it will have.

Mr. Lewis: Mr. Chairman, the minister said we are assuming that he does not intend to apply this clause. We are not making any such assumption. He has told us that he does not intend to apply it in all cases; he has been quite frank with members of the committee. He is saying, in effect, that it is his intention not to give this right of appeal to everybody to whom the first amendment to this clause normally would make it applicable. That is what he is telling us. I suspect—and if my suspicion is wrong the minister can correct me—that despite the fact that the minister's present amendment has extended the right to the non-citizen who may apply to sponsor an immigrant, when his regulation appears, nevertheless, it will limit it to citizens.

Mr. Marchand: This may happen.

Mr. Lewis: Exactly, Mr. Chairman; it may happen. I have the suspicion that this is exactly what will happen. So, we have the first amendment which broadens the area to include landed immigrants who are not citizens as well as citizens and then the minister takes unto himself the right to pass an amendment limiting it to citizens. The minister says that he wishes this so that he can experiment with it and gain experience. I am not being hypocritical when I say to him that I fully appreciate and sympathize with his view. He is entering into a new field and wants to be sure exactly what the result will be when this law is in the hands of the new appeal tribunal. But, Mr. Chairman, with equal force I should like to say that I do not see the logic in his taking the position that he will obtain the experience if he limits it to a certain class. One can only gain the proper experience if every class makes the appeal. Then one would be able to judge the result and the working of the appeal tribunal in respect of every class of relative and every class of sponsor.

If a change should be found desirable, then after a year or two if it were found that the appeal tribunal should not function in this way, the minister or his successor could bring recommended changes before parliament. If he did this in a year or two from now, then he would be able to tell the house exactly what his experience has been, the reason for the required contracting of the area of appeal, and what changes this experience has suggested are necessary. Now, however, he has no reason at all except a desire arbitrarily to decide which classes will have the right tomorrow, a desire arbitrarily to decide whether to increase or decrease the number the day after tomorrow and arbitrarily decide when, if ever, what sponsor may have the right to appeal.

• (5:10 p.m.)

I can well understand that it is necessary with a new tribunal, a new idea, a new avenue, to watch it carefully and make sure it works well. But I urge the minister to consider the logic—at least it seems to me logical —that the only way he can really find out is if everyone, who in the general terms of the first words of the clause has a right to appeal, is given the opportunity to exercise that right. Then the minister will see what happens in every case and will have experience on which to base a conclusion that this kind of case is suitable for appeal and that kind of case is not suitable. Then he can come back to this house and say, on the basis of that experience—and he can outline it to us—"I believe that changes of the following order are required in the law." If they are reasonable changes based on that experience, I would hope that members of all parties in the house would co-operate with him in making those changes.

I think all of us who took part in the debate yesterday, from both sides of the

house, have shown that we are not trying to put the minister on the spot or make political capital out of anything that has been produced. There has been on the minister's side above all an attitude today in the amendments which he has produced, except for this last one, which shows a consideration for the suggestions made that one cannot but admire and respect, and I do.

So this is not an argument that too often occurs on the floor of this house, for which all of us are often responsible, where one takes a stance for purposes other than the merits of the law. We are urging the minister to reconsider this question because we are convinced that on the basis of what he is trying to accomplish he is doing himself—I do not mean this in a personal sense, but in that of the department—and the law a discredit by insisting on retaining this power.

I do not know what else I can do except urge him that the only way he will have adequate experience is to permit everyone who has the right under the opening words of the clause to exercise it if they wish to do so, and afterwards the minister will have actual case histories that may show a requirement for change. Let him then come back to the house and ask for those changes to me made. If his request is based on that experience, I cannot imagine members of this house refusing him those changes. Otherwise I do not think it is possible for those of us who feel strongly about this matter to accept the position he has stated.

The Chairman: Is the committee ready for the question?

Mr. Marchand: Mr. Chairman, I think I should state now that it is the intention of the department to extend this right as soon as possible to all Canadians and all non-citizens in Canada including, of course, landed immigrants. This is our intention; this is what we want to achieve. I agree that it looks like discrimination to give certain rights to one group of citizens and refuse those rights to another group. But I think we have to carry out this experiment. I do not think that in order to ascertain the value of the experiment it is necessary to cover all classes at the beginning, because even if there is a legal difference between a landed immigrant and a Canadian citizen the process of sponsorship is exactly the same. We will gain exactly the same experience with the first group as if we were covering all groups.

So I would state that is is our intention to extend this provision to all Canadians and landed immigrants, but I think we need to know exactly how this measure will proceed and what kind of obstacles we will meet. We ask for this gradual application of clause 17. I believe there is nothing that would justify anybody in the house believing that this is not our aim and is not what we intend achieving, because in the past year I believe we have indicated that we are applying this law in the spirit to which I have referred.

The Chairman: Is the committee ready for the question?

Mr. Lewis: Mr. Chairman, I am not going to speak again on this question; I have repeated my argument several times already. The minister remains adamant on the matter and that is his right, as it is our right to try to get him to change his mind. I wonder whether it would not be more appropriate, and I would be surprised if the rules do not permit this to be done, to divide the amendment before the committee into its two separate parts and vote on each one of those parts separately, rather than voting on the entire amendment. The amendment contains two quite separate and disparate parts which are not related one to the other at all.

Mr. Marchand: I suggest, Mr. Chairman, that the two parts are related. In the clause as it now stands we refer to "Canadian citizen". It may be suggested that we are not adding anything, but I think we are making a change in deleting the expression "Canadian citizen" and replacing it with "person", because this means that the governor in council will have much more power than under the clause as it now stands. Both parts are related, because in the first part we determine which persons can sponsor and have the right of appeal, and the other part deals with the classes of persons. I think it is a unit and we should vote on it as one amendment.

Mr. Knowles: Mr. Chairman, I do not wish to open a lengthy procedural argument, and I am sure the committee generally feels that way. But I would remind the Chair of citation 200, paragraph (4) of Beauchesne's fourth edition, which reads as follows:

> A motion which contains two or more distinct propositions may be divided so that the sense of the house may be taken on each separately.

That citation refers to "the house", but one does not need to take any time to argue the point that the rules that apply in the house apply also in committee. Furthermore, I would point out that the amendment which has been moved from the government side in

its very structure admits that there are two parts to it. There is an (a) part and a (b) part. The (a) part calls for striking out line 13 on page 6 and substituting a different line, and the (b) part calls for striking out lines 22 to 24 on page 6 and substituting different wording in those three or four lines.

Even though there are changes being made in the same clause of the bill, they are not only made in different parts of it but one could be passed and the other defeated one way or the other, and the clause as amended would still make sense. I submit, therefore, that they are two districts propositions, to use the language of Beauchesne's citation 200, paragraph (4), and therefore that Your Honour should agree to the request that they be treated as two different motions and voted on separately.

• (5:20 p.m.)

Mr. Munro: Mr. Chairman, I wish to comment on what the hon. member for Winnipeg North Centre said, namely that there are two distinct propositions embodied in the amendment proposed by the minister. It is obvious that the two parts are directly related to each other. The first part of the amendment, which permits additional classes of people to make appeals, necessitated a consequent change toward the end of the paragraph, and therefore one part is directly related to the other. I suggest therefore that if the hon. member is advancing his argument on the basis that there are two separate parts to the amendment, then his argument falls, on that ground alone.

Mr. Brewin: Mr. Chairman, I do not want to speak on the point of order raised by the hon. member for Winnipeg North Centre but I want to add one new point on the general question of the amendment.

The Chairman: Perhaps the hon. member for Greenwood will permit me to make a few comments on the point of order before he proceeds with his remarks on the amendment.

I recognize the validity of citation 200 of Beauchesne's Fourth Edition as given by the hon. member for Winnipeg North Centre. It reads as follows:

(4) A motion which contains two or more distinct propositions may be divided so that the sense of the house may be taken on each separately.

I should also like to refer hon. members to May's Seventeenth Edition, page 407 where the following citation is to be found:

The house does not recognize the right of individual members to insist on the division of motions moved in committee of the whole house,

[Mr. Knowles.]

It appears to me that there is one motion before the Chair and I will rule that the amendment be considered as one motion before the committee.

Mr. Lewis: Mr. Chairman, in that case I move the following sub-amendment to the amendment before the house.

I move that the amendment be amended by deleting part (b) thereof.

The Chairman: The Chair considers that the sub-amendment moved by the hon. member for York South is quite in order.

Mr. Brewin: Mr. Chairman, I should like to speak on the amendment and I will try not to repeat what has been said already. I want to suggest to the house that no self-respecting legislature would grant a right of appeal which is to exist at the suffrance of an entirely different body. Without knowing to whom this right of appeal is given we are told by the minister that there are some limitations, the extent of which is not put before us. I know that in these days it is a quite common practice for legislatures and parliaments to legislate in a form which delegates to other bodies, such as the governor in council, the right to fill in the legislation. However, here we are given, in the nature of a legal right, the right to appeal. To give this right to one authority, and in the same breath say that someone else will have the right to define who shall have the right of appeal, is a monstrous anomaly. This is bad legislation, quite apart from the merits of this particular matter.

It would be irresponsible for the house to say to a group of people, "We are giving you the right of appeal," and at the same time to say "We are giving it to whomsoever the governor in council chooses to confer this right." I submit that this would be a very poor form of legislation and I support the amendment of the hon. member for York South.

The Chairman: Is the committee ready for the question? The question is on the sub-amendment.

Amendment (Mr. Lewis) negatived: yeas, 8; nays, 27.

Amendment (Mr. Greene) agreed to: yeas, 31; nays 4.

Mr. Bell (Carleton): Mr. Chairman, may I now put to the committee the following amendment which I mentioned earlier:

That the clause be further amended by adding thereto, after the word "application" in lines 20

and 21 thereof the following: "or that there exist compassionate or humanitarian considerations that in the opinion of the board warrant the granting of special relief".

The Chairman: Is there agreement to the amendment proposed by the hon. member for Carleton?

Some hon. Members: Agreed.

Amendment agreed to

Clause as amended agreed to

Clause 18 agreed to.

On clause 19—*Notice of appeal.*

● (5:30 p.m.)

Mr. Lewis: Mr. Chairman, I merely wish to indicate that as the bill now stands there is no requirement that the appellant be given information on which he can base his appeal. I do not think the right of appeal will mean anything unless the appellant knows on what he is going to appeal to the board. I have copies of a proposed amendment, Mr. Chairman. I move:

That clause 19 of Bill C-220 be amended by designating the present clause as subclause (1), and by adding immediately thereafter a new subclause (1), and by adding immediately thereafter a new subclause (2) as follows:

"(2) Every appellant under section 11 and section 17 shall be provided by the minister with particulars of the grounds on which the deportation order or refusal to approve an application for admission was based in such manner as is prescribed by the rules of the board".

One hon. member has already spoken to this concept, Mr. Chairman, so I do not think I should take the time of the committee any further.

[*Translation*]

Mr. Marchand: Mr. Chairman, I do not object in principle to the amendment before the house. On the other hand, we tried last night to move an amendment strictly in accordance with the wishes of the hon. member for York South (Mr. Lewis). In the face of a great many objections, we finally realized that the best place for such an amendment is in the Immigration Act itself which governs the activity of immigration officers, since they will have to comply with that requirement or the minister may become subject thereto under the Immigration Act.

Now, I cannot dispute the merit of the proposition itself, since I am in agreement. The only thing I can do, if the house rejects this amendment, is to give the undertaking that, as soon as the legislation becomes operative, all immigration officers affected by this clause will be required through regulations to make the report and to give reasons to the appellant. And as soon as the Immigration Act is introduced in the house, it will be up to the house to move the amendment to have it incorporated in the act.

This is purely a technical problem but I would prefer, Mr. Chairman, that clause 19 be left as is and that, through our regulations, the officers be required to give reasons, or that I give them myself to the party making an appeal. I solemnly undertake to do this as soon as the legislation is passed. And as soon as the general legislation is introduced in the house, I shall support an amendment in accordance with the one the hon. member for York South has just moved.

[*English*]

Mr. Lewis: Mr. Chairman, I am grateful to the minister for his very clear and unequivocal undertaking that the purpose of the amendment I have just moved will in fact be carried out by his department, but with very great respect I do not see any technical objection to the amendment. I did appreciate in drafting the amendment some of the points that might arise—I do not say I realized all of the points—with regard to inquiry officers and other officers of the department, as well as the terms of the Immigration Act and regulations which control them. This is why the amendment does not seek to have the report of the inquiry officer or any other officer of the department given to the appellant. It is also why the amendment asks that the minister provide the grounds.

From my little knowledge of the Immigration Act I cannot see where a technical problem arises on this point. Therefore I am wondering whether the minister would allow the clause to stand. I did understand him to say that he is not arguing against the merits of the amendment but is in agreement with it; it is purely this technical difficulty that he said he stumbled upon last night. I do not know whether the minister and his advisers considered this particular approach of laying this duty upon the minister rather than automatically requiring the furnishing of some departmental document. Perhaps this question was not considered, and if this is the case would the minister consider standing clause 19 so as to give the matter some further thought. Because we are not going to pass the bill today; it is now twenty minutes to six.

Mr. Marchand: We may.

Mr. Lewis: I can assure the minister that he will not. Therefore would he ask his advisers whether they could look at this particular approach or at some similar approach—I have no pride of authorship at all—instead of rejecting the amendment at this stage.

If the minister finds on further consideration that there is an insuperable technical barrier, then we will have to be satisfied with his very genuine and unequivocal undertaking, which I am prepared to accept without any reservation at all. However, I would much rather see the amendment incorporated into the law if the technical difficulty about which the minister spoke can be overcome. Therefore would he agree to allow this clause to stand and to have his advisers look at this particular approach to the problem to see whether a solution can be found?

Mr. Marchand: If the hon. member for York South or the other members of the committee are not satisfied with the undertaking I gave, but would prefer to allow the clause to stand and so insist, then I will not oppose this. I do not think there is any problem about allowing the clause to stand until we deal with the other clauses of the bill, and we may find a solution. If hon. members insist on taking this course I will not object.

Mr. Lewis: Mr. Chairman, I apologize to members of the committee for taking up time but I am anxious that there shall be no misunderstanding. I accept the minister's undertaking. As I have said, it was given in unequivocal language and I have not the slightest doubt in the world that he will carry it out. The only reason I would prefer to see this provision incorporated in the law is that people outside the house read the law; they do not necessarily read *Hansard*. Furthermore, it completes the sense of the law. I do not doubt the minister's undertaking but I think it would be preferable to incorporate the provision in the law.

The Deputy Chairman: Is it agreed that clause 19 and the amendment thereto stand?

Some hon. Members: Agreed.

Clause stands.

On clause 20—*Hearing of appeal.*

Mr. Bell (Carleton): Mr. Chairman, I think the minister might agree to stand clause 20 until we have dealt with clause 21. If the committee were to provide that the board should be the body to determine upon security or criminal intelligence reports, I think there would need to be an amendment to this clause. I gave notice of a potential amendment to this clause last night and we really could not intelligently discuss the clause now until we have dealt with the principle contained in clause 21.

The Deputy Chairman: Is it agreed that clause 20 stands?

Some hon. Members: Agreed.

Clause stands.

On clause 21—*Certificate of minister and Solicitor General.*

Mr. Bell (Carleton): Mr. Chairman, I now move the amendment of which I gave notice last evening. I move:

• (5:40 p.m.)

That Clause 21 (1) be amended by striking out all the words in line 5 to 10 inclusive and substituting therefor the following:

"if the Board finds, on the basis of security or criminal intelligence reports filed with them, which reports the board shall keep secret but the existence of which it shall disclose to the appellant, it would be contrary to the national interest to stay the execution of the order, continue or renew the stay or render the decision, as the case may be"

and that Clause 21 (2) be struck out.

Sir, this was argued at some length last evening, on clause 2. I have little to add. This amendment is in accordance with the report of Mr. Joseph Sedgwick, Q.C. He suggested that security and criminal intelligence documents be put before the board. The minister has chosen the other course, of having a certificate executed by himself and by the Solicitor General. I venture to suggest that that is not sufficient under the circumstances. Reports should be laid before the tribunal, that the tribunal may assess their validity.

This is perhaps the most difficult field for any minister of manpower and immigration to deal with. The Secretary of State is involved also in citizenship matters with a security connotation. As I said last night, I hope that the Max Mackenzie royal commission takes a good and hard look at this whole field.

The proposal put forward in the amendment is a better interim proposal than the one advanced by the minister in the clause as drafted. I can see no objection to it; indeed I think it is essential that a person should know that the grounds advanced against him are based on security or criminal intelligence. I do not suggest that reports should be revealed; to do so would undoubtedly be prejudicial to the interests and possibly to the

safety of the state. I do suggest that the appellant should know about the existence of such reports and that they are the grounds for action against him If he knows about them he will have the opportunity to produce evidence showing that such reports perhaps are erroneous. There have been, and there will be again, cases of mistaken identity. I know of instances myself where grave injustice has been done because of mistaken identity.

I shall not argue the matter further. Members on all sides of the house expressed their views last night. I think the minister can accept the amendment without in any way prejudicing the safety or interests of the state. No member of this house seeks to do anything through any amendment which would be prejudicial to the state. I submit this amendment provides a reasonable interim solution until the royal commission on security reports.

Mr. Brewin: Mr. Chairman, the most vexed problem in the whole field of immigration is reconciling the contrary requirements of justice to the individual and the security of the state. The hon. member for Carleton has produced his solution. When the minister dealt with this matter yesterday he said this on page 13311 of *Hansard*:

> When we discuss the bill clause by clause, if a workable suggestion is made in this connection, guaranteeing what we want to guarantee, I will be the first to accept it. However, it is not easy to do so at the present time.

Of course it is not easy, but that is no reason for not dealing with a problem. I know that an amendment is before the committee and that it would not be in order at this time for me to move another amendment. I wish to tell the committee that after the amendment of the hon. member for Carleton has been dealt with I wish to move an amendment. Perhaps I could read it to the committee so that the committee may consider it. My amendment, Mr. Chairman, suggests that if the minister by certificate says that the order for deportation or refusal of admission is a matter that affects the security of Canada, and it would be contrary to the interests of Canada to disclose the source of information justifying such order or refusal, then the board may conduct the hearing of the appeal in camera, in respect of such evidence, in the absence of the accused or his counsel; but the board may direct that the minister shall furnish to the board and the appellant particulars of the allegations without disclosing the source thereof.

The hon. member for York South discussed this matter. He said that in wartime, when dealing with matters of security, the defence of Canada regulations originally provided for people to be interned on order of the Minister of Justice. There was no basis for internment except the minister's order, if he thought it necessary for the security of the state in wartime. Many of German or Japanese origin were deprived of their liberty, not by the normal process of law, but by direction of the minister. Through experience, and because of the possibility of injustices arising, the Defence of Canada Regulations were changed to provide the right of appeal. That right would be exercised by a tribunal similar to the immigration appeal board proposed by this legislation. That tribunal travelled around the country. Later it was found possible, not to disclose evidence on which the internment was based but to furnish particulars of the grounds for interning, without giving the source. Those particulars gave to the interned person or his counsel or lawyer, as the case might be, not a detailed source of security information, but the substance of the case to be made against him.

At the present time as the minister and other hon. members know, people are refused admission to Canada, sometimes on security grounds and sometimes, not because they belong to subversive organizations, but because they do not meet the regulations. No information is given to these people. The purpose of our amendment is to make certain that there is a fundamental right, bringing with it a fundamental sense of justice to those concerned with appeals. This sense of justice is taken away if you say: "Because somebody says this is a security matter you have no right of appeal." I submit that my proposal, based on experience in security matters at a time of greater national emergency that we now face in any sense, provides a reasonable compromise. It gives people in all cases the right to appeal. It does not take this right away from them simply because someone has issued a certificate. And it provides that the source of the information shall not be disclosed.

• (5:50 p.m.)

This security business has been pushed much too far in regard to immigration policy. I would remind the minister and his department that in Western Europe, where problems of security might be thought to be of greater concern than they are here, literally thousands of people have been permitted to

immigrate from behind the iron curtain, from such countries as Yugoslavia and Poland, without this bogey of security being raised against them. They have gone to France, to West Germany and other countries to join the labour force there, and they have done valuable work. I said that people came in their thousands. I should have said in their tens of thousands and hundreds of thousands.

The parliamentary secretary will recall that just a week ago he and I were in Toronto serving on the special committee which is dealing with the subject of immigration. A number of people appeared before us and I wish to mention particularly the representatives of the Canadian Polish Congress. These are people, every one of them, who are as determinedly anti-communist as anyone in this chamber or in Canada. They are determined there will be no subversion in Canada. Moreover they are people with particular knowledge of conditions in Europe. They told us we were way out of date in our security measures with respect to immigration. They said that if we allowed applicants to come in, 99 per cent of them would be "with us". It would be necessary to exclude those who might be thought to present a danger as saboteurs or spies, but it would be wrong to exclude the large mass of these people on security grounds because it was not possible to get a security report on them or because they came from some country, such as Italy, where there was a substantial communist party with which they might have been connected. I believe it is wrong to say to all these people that they cannot come in and that they will not be told the reasons alleged against them. We know that even in this country there have been cases of mistaken identity.

It is my submission that here we have the core of the problem of giving a fair hearing to would-be immigrants. This legislation in general is admirable legislation, but if we take the whole question of security out of it and say that a particular group of people shall have no rights at all, we are destroying the good effect of whatever we are doing in this bill. I realize that this whole question of security is now being considered by Mr. Mackenzie and the other commissioners. Nevertheless I appeal to the minister to take a serious look at the amendment which I am suggesting. It fully guarantees the non-disclosure of sources, while at the same time permitting those concerned to enjoy the rights conferred by this bill, without any surrender of national security. This right of appeal will only be a half right, or no right at all, if some of the people are denied it by the mere issue of a certificate.

I see it is nearly six o'clock. I would be glad to furnish the minister and other hon. members who are interested with copies of my proposed amendment. I do not believe I can move it at this particular stage.

An hon. Member: Can the hon. member produce the amendment?

Mr. Brewin: I have it right here.

Mr. Marchand: Is the hon. member moving it or simply making a suggestion at this stage?

Mr. Brewin: I understand that the hon. member for Carleton has proposed an amendment and I think it would be out of order if I were to move mine, now. The minister could perhaps treat it as a suggestion subject to any alteration he might propose.

Mr. Bell (Carleton): The only comment I have to make is this: I hope the hon. gentleman is not inferring that my amendment will be defeated.

Mr. Brewin: I do not know; I am not a prophet.

Mr. Marchand: I think the points which have been raised cannot be dealt with in this bill. Reference has been made to the situation of prospective immigrants from countries behind the iron curtain who cannot apply to come to Canada. I think the solution to this problem must be found within the general policy and administration of the department not within this bill. We are working on this and I hope that I can announce to the house in the near future that we have overcome certain difficulties in this connection.

We are aware of this problem and we probably share the opinions of the hon. member with regard to it, but we have to devise ways and means of processing the applications of prospective immigrants from behind the iron curtain in the same way as other applications are processed. If we were dealing only with these cases, I think a solution would be easy. But we are not. We are dealing with cases where evidence is produced by the R.C.M.P. or by other agencies concerning not only people who are termed subversive elements, but concerning criminals. I am not talking, here, in terms of the security of the state alone; I am thinking of the security of individuals.

I emphasize that there are no halfway measures possible when producing evidence before a board. If we introduced any of those elements which are proposed by the amendment and by the suggested amendment, no lawyer would be satisfied with them. I do not think anyone would be satisfied with a general statement to the effect that one man was a criminal or that another was a security risk to Canada. Everybody would feel frustrated. Everybody would like to have more details. They will insist on having the names, and from that moment on I believe we would be placing some individuals in a very dangerous position. I do not see how we can be satisfied, and I would not be satisfied if I were a lawyer appearing before the board, if I were to have only half of the evidence.

• (6:00 p.m.)

Mr. Brewin: Half is better than none.

Mr. Marchand: No, it is not better; it may be worse. It might be very misleading. I think if I were to accept these amendments, I would be in favour of opening the case and giving all the information. I do not believe we are going to achieve what is aimed at by these amendments. So, Mr. Chairman, I know it is not a comfortable position, and everybody understands I am sure, but I believe we have to wait for the recommendations from the royal commission on security. It is not wise to bring such amendments until we have those recommendations, and I think the ministers should bear sole responsibility for the decision.

I have been here for nearly a year, and there are not many cases. There have been some cases of applications from behind the iron curtain. This is not the way to solve the problem. We hope we will find a solution very soon. So far as the real criminals or the real subversive elements are concerned, there are very few of them. When it is stated in this house that this bill will be useless if it remains as it is, then I say that is an exaggeration. I think it would be useless for some people to make the efforts they are making if that were going to be the result.

We are not taking away any rights from anybody. Who can come before this board? The sponsor who wants to sponsor somebody, and the man who has been ordered deported. The man who has been ordered deported is generally neither a Canadian nor a landed immigrant. He of course is a human being. He has a moral right to ask to come to Canada, but he has no legal right. He cannot say, "You are depriving me of a right I have." He has a moral right; there is no doubt of that, and I could make an argument on that ground which would be well founded.

We are concerned with a Canadian citizen or a landed immigrant who asks to sponsor somebody. We do not deny him any rights. The sponsor has a right to ask if this man can come to Canada. If we have any information on our file and we were to reveal that information it would be revealed not to the prospective sponsor but to the appellant and to probably the 10 or 12 people in the court. I tell you that in some cases this would be dangerous for the security of the state. I am less sensitive about that aspect because I think we can protect ourselves. However, I believe the security of some individuals can be placed in real danger.

So, Mr. Chairman, I believe there are only two ways of accomplishing this purpose. Either we treat these cases exactly like the others and we produce all the evidence to the lawyers or interested parties, or we refuse to do so and put the responsibility on the minister for seeing that the file is not revealed. I do not believe there is a middle way. I think we should wait for the inquiry to make its recommendations and perhaps we will find some solution. I do not see any solution in the amendments or suggestions before the committee.

The Deputy Chairman: Is the committee ready for the question.

Amendment (Mr. Bell, Carleton) negatived: Yeas, 14; nays, 27.

The Chairman: Shall clause 21 carry?

Mr. Brewin: I have a further amendment, Mr. Chairman, but I call it six o'clock.

Progress reported.

GOVERNORS GENERAL OF CANADA

MEASURE TO PROVIDE ANNUITY UPON RETIREMENT

Right Hon. L. B. Pearson (Prime Minister) moved the second reading of Bill No. C-265, to provide for the payment of a retiring annuity to the Governor General of Canada.

Motion agreed to, bill read the second time, considered in committee, reported, read the third time and passed.

• (6:10 p.m.)

HATE LITERATURE

ESTABLISHMENT OF JOINT COMMITTEE TO CONSIDER CRIMINAL CODE AMENDMENTS

Hon. G. J. McIlraith (Minister of Public Works) moved:

That this house do unite with the Senate in the appointment of a special joint committee to study and report upon amendments to the Criminal Code relating to the dissemination of varieties of "hate propaganda" in Canada as set out in Bill S-49, intituled: "An Act to amend the Criminal Code";

That 12 members of the House of Commons, to be designated by this house at a later date, be members of the said committee; and that standing order 67(1) be suspended in relation thereto;

That the committee have the power to call for persons, papers and records, to examine witnesses, to report from time to time, and to print such papers and evidence from day to day as may be ordered by the committee; and

That a message be sent to the Senate informing that house that the House of Commons do unite with the Senate for the above purposes.

The Acting Speaker (Mr. Rinfret): Is it the pleasure of the house to adopt the said motion?

Mr. Langlois (Mégantic): Mr. Speaker, I would ask the government house leader to withhold this motion for today.

Motion stands.

BUSINESS OF THE HOUSE

Mr. Bell (Carleton): Mr. Speaker, it being six o'clock would the house leader indicate what the order of business will be for tomorrow and perhaps the balance of the week?

Mr. McIlraith: Yes, Mr. Speaker. Tomorrow we propose continuing with the measure before the house this afternoon, namely item No. 83 on today's order paper. Then we will deal with items 100, 133, 126, 127, 120, 116, 130 and 119. There may be some necessity to vary the sequence of calling the items, but if there is I will be in touch with the house leaders of the other parties before that necessity arises.

Mr. Langlois (Mégantic): Mr. Speaker, in view of the fact that item No. 130 will probably be dealt with fairly rapidly, will the government house leader consider bringing it forward for consideration immediately after we finish with the immigration bill?

Mr. McIlraith: I will consider that suggestion, Mr. Speaker. I would not want to give a firm answer at the moment, but we are very anxious to get this item through as soon as possible. I believe there will be very little debate on it, and it will be brought forward as soon as possible.

It being fifteen minutes after six o'clock the house adjourned, without question put, pursuant to standing order.

HOUSE OF COMMONS

Thursday, February 23, 1967

The house met at 2.30 p.m.

OCCUPATIONAL TRAINING

PROVISION FOR PAYMENT OF COSTS, AGREEMENTS WITH PROVINCES, ETC.

Hon. Jean Marchand (Minister of Manpower and Immigration) moved that the house do go into committee at the next sitting to consider the following resolution, which has been recommended to the house by His Excellency:—

That it is expedient to introduce a measure to provide for the training of adults wishing to undertake occupational training; to authorize the entering into of contracts with provinces and employers to provide for the payment of the costs incurred in providing occupational training to those adults and to authorize the payment of charges for tuition or otherwise for the training of adults in occupational training courses not operated by a province or an employer; to authorize the payment of training allowances to certain adults undertaking occupational training; to authorize agreements with the provinces respecting research in respect of occupational training and the making of loans to provinces to assist in the purchase or construction of occupational training facilities; to authorize transitional agreements and arrangements with the provinces related to the Technical and Vocational Training Assistance Act; and to provide further for other related and incidental matters.

Motion agreed to.

NATIONAL REVENUE

STUDEBAKER CORPORATION—INDEBTEDNESS FOR CUSTOMS DUTIES

On the orders of the day:

Mr. A. D. Hales (Wellington South): Mr. Speaker, my question is directed to the Minister of National Revenue. Is the minister now in a position to advise the house whether the former Studebaker Car Manufacturing Company of Canada has paid its indebtedness to the crown for customs duties, estimated to be $2.4 million?

Hon. E. J. Benson (Minister of National Revenue and President of the Treasury Board): Mr. Speaker, the rule which has been followed by ministers of national revenue in the past is that in the House of Commons we do not comment on the tax affairs of individuals or corporations. However, I indicated to the right hon. Leader of the Opposition that in the near future I would give an explanation of this particular comment which appeared in the Auditor General's report, and I intend to do that. It is not quite ready at the present time.

Mr. Hales: I have a supplementary question, Mr. Speaker. When will the minister advise the house concerning the results of his departmental audit which I referred to him on November 3, November 8 and again on November 18, at which time he said he would report to the house concerning the investigation. When may the house expect this report?

Mr. Benson: Soon.

Hon. Michael Starr (Ontario): Mr. Speaker, in all fairness to the Studebaker company, and in view of the fact that the Auditor General has stated in his report that the company owes this money to the government, does the minister not think it would be fair for him to say whether they have or have not paid?

Mr. Benson: Mr. Speaker, the Auditor General did not mention the Studebaker corporation in his report.

Mr. T. C. Douglas (Burnaby-Coquitlam): I should like to ask a supplementary question, Mr. Speaker. In view of the fact that the minister undertook to make an investigation through the Department of Justice as to whether the Studebaker company ought to pay on the Volkswagen cars which they brought in, is the minister going to report to the house whether the company is liable, how much it is liable for, and what steps he has taken to compel the company to pay? Surely the house is entitled to this information.

Mr. Benson: The normal procedure would be to make an assessment, if an assessment were warranted, against a taxpayer. The taxpayer, if he chose to do so, then could appeal the matter and it mould become public knowledge. Ordinary assessments made against taxpayers, however, are not indicated to the House of Commons.

Inquiries of the Ministry

Mr. Douglas: As a result of the investigation which the minister undertook to make is he now in a position to say whether Studebaker is liable for any amount of money by virtue of the Volkswagen cars which were brought into Canada under the auto agreement?

Mr. Benson: Not at this point.

Mr. Starr: I have a further supplementary question. In view of the report of the Auditor General that the company involved is one which ceased operation on March 17, 1966, could the minister tell me what other company ceased operation on March 17, 1966?

Mr. Speaker: Order, please.

Mr. Benson: Ask the Auditor General.

[*Translation*]

CANADIAN BROADCASTING CORPORATION

PROTESTS RESPECTING PROGRAM "TIREZ AU CLAIR"

On the orders of the day:

Mr. C.-A. Gauthier (Roberval): Mr. Speaker, I wish to direct a question to the hon. Secretary of State of Canada.

Having listened to the last two broadcasts of "Tirez au Clair", it seems obvious to me that the producer has only one purpose: to make propaganda for socialism. Could the minister tell the house whether she intends to take appropriate action to subdue the socialist army which controls our national radio broadcasting system?

Mr. Speaker: Order. The question is definitely out of order in its present form.

Mr. Gilles Grégoire (Lapointe): May I ask a supplementary question, in due form?

Mr. Speaker: Order. Since the question is out of order, a supplementary question cannot be asked.

Mr. Grégoire: Mr. Speaker, may I frame the question in such a way as to make it acceptable?

Mr. Speaker: I shall be glad to recognize the hon. member in a few minutes.

[Mr. Benson.]

[*English*]

LABOUR RELATIONS

RAILWAY DISPUTE—REQUEST FOR APPOINTMENT OF ARBITRATION BOARD

On the orders of the day:

Mr. A. B. Patterson (Fraser Valley): Mr. Speaker, I should like to direct a question to the Minister of Labour. Is it his intention to accede to the request of the Canadian Brotherhood of Railway, Transport and General Workers for the immediate appointment of a board of arbitrators, as provided for in the Railway Operations Act and as urged in a recent telegram to the minister?

Hon. J. R. Nicholson (Minister of Labour): Mr. Speaker, I am very glad the hon. member has asked this question because it gives me an opportunity to correct an erroneous impression that seems to be in the minds of some people at least, as I gather from a news report that was brought to my attention just before the house convened.

There has been no refusal on the part of the Minister of Labour to set up any board of arbitration. What happened was that parliament directed that first there should be mediation. There were four groups of unions involved. One group withdrew from the mediation process after it had been in progress for several weeks. That is the group referred to in the wire mentioned by my hon. friend. The three other groups proceeded with the mediation. I would say that the bargaining committees for 75,000 of the 118,000 or 119,000 workers involved have accepted by overwhelming votes the settlements worked out under the guidance of the mediator. Representatives of one of the other union groups met with me earlier this week, and we had what I think was a useful discussion.

The fourth group, the C.B. of R.T., who withdrew from the mediation have requested arbitration, but until you know whether you are going to arbitrate for one group or more it is very difficult—

Mr. Speaker: Order, please. I must interrupt the hon. minister. I appreciate that he is anxious to give to the hon. member all the information at his command, but the answer should perhaps be briefer. It appears to the Chair that such a statement should be made on motions rather than in answer to a question.

EXTERNAL AFFAIRS

THE VATICAN—INQUIRY AS TO APPOINTMENT OF AMBASSADOR

On the orders of the day:

Mr. Robert Muir (Cape Breton North and Victoria): Mr. Speaker, my question is for the Acting Prime Minister. May I ask the hon. gentleman whether an appointment to the Vatican, having ambassadorial status or the equivalent, is imminent.

Hon. Paul Martin (Acting Prime Minister): Mr. Speaker, I think my hon. friend will realize that this question was answered by the Prime Minister a few weeks ago. There has been no change.

[*Translation*]

CANADIAN CONSTITUTION

REQUEST FOR REPORT OF INTERDEPARTMENTAL COMMITTEE

On the orders of the day:

Mr. Heward Grafftey (Brome-Missisquoi): Mr. Speaker, I should like to put my question to the Secretary of State for External Affairs, who is Acting Prime Minister today.

My question refers to the statements made the day before yesterday by the Quebec premier when he expressed the wish that the committee instructed to consider reforms to our Canadian constitution be set up again.

Would the minister ask the federal officials who will study the constitutional reforms to expedite their work as much as possible, so that we may set up our own parliamentary committee to look into the constitution?

Hon. Paul Martin (Acting Prime Minister): Mr. Speaker, I can assure the hon. member that this matter is constantly being looked into by the federal government and that there is no delay so far as we are concerned.

[*English*]

OIL

POSSIBLE INCREASE IN EXPORTS TO UNITED STATES

On the orders of the day:

Hon. George Hees (Northumberland): Mr. Speaker, I should like to address a question to the Minister of Energy, Mines and Resources. In view of his statement yesterday regarding the possibility of increased oil exports to the United States, has the minister anything he can pass on to the house as to the immediate prospects of increased shipments of oil to that market?

Inquiries of the Ministry

Hon. Jean-Luc Pepin (Minister of Energy, Mines and Resources): No, Mr. Speaker. I can only say that negotiations are proceeding with the United States on this subject.

DOMINION-PROVINCIAL RELATIONS

REPORTED STATEMENT BY B.C. PREMIER RESPECTING FEDERAL AID TO HYDRO PROJECTS

On the orders of the day:

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, I wish to address a question to the honourable and most patient Minister of Finance based on a statement made by the premier of British Columbia in the British Columbia legislature on February 21, to the following effect:

> That the federal government is withholding no strings attached financial aid from hydro projects in British Columbia in an effort to obtain part ownership of British Columbia's water and power resources.

My question is whether in view of the constitutional implications involved, this statement is a correct reflection of federal government policy.

Hon. Mitchell Sharp (Minister of Finance): Mr. Speaker, I should like to reply to the young, amiable and handsome member who has just asked the question that the statement made by the premier of British Columbia is, so far as I know, without foundation. I would categorize it as both absurd and without foundation.

LABOUR CONDITIONS

MCKINNON INDUSTRIES—TAB PAYMENTS FOR WORKERS LAID OFF

On the orders of the day:

Hon. J. R. Nicholson (Minister of Labour): Mr. Speaker, on Monday and Tuesday of this week the right hon. Leader of the Opposition and the hon. member for Burnaby-Coquitlam asked a series of questions in connection with the lay-off of some 900-odd workers at McKinnon Industries Limited in St. Catharines. Among the questions asked by the hon. member for Burnaby-Coquitlam were whether the union concerned had been able to secure the names of those certified by the adjustment assistance board and whether the board would be arranging a meeting with the union.

The facts are that the union applied to the board some time ago for certification of certain workers laid off at McKinnon Industries.

Following an investigation the board found that there were a variety of reasons for the lay-offs, but that, in their opinion, out of the total of 900 or more who were laid off, some 395 jobs had been affected as a result of the operation of the automotive agreement.

On Monday of this week the union sent me a telegram, the one referred to in the questions by the hon. member for Burnaby-Coquitlam, drawing attention to the fact that of the 900 or so workers who had been laid off, 255 male workers who had been certified by the adjustment assistance board had already returned to work. The union found this rather confusing.

As I stated in the house on Tuesday, I immediately informed the board of the contents of the telegram and I asked for a report. The board met on Tuesday of this week, and since that meeting, my information is that in determining the number of workers laid off in this dispute the board had named the 395 employees who had the most seniority at the time of what is sometimes called the "bumping process" which had been proceeded with in September of last year but which had not been completed. They have had to take another look at it. It seems that the bumping process has now been completed, and that a later date than September 9 should have been used.

Mr. Speaker: Order, please.

Mr. T. C. Douglas (Burnaby-Coquitlam): I have a supplementary question, Mr. Speaker. May I ask the minister a question?

Some hon. Members: Oh, no.

Mr. Douglas: May I ask a brief question and hope to get a brief answer. I want to ask the minister whether the union has been able to get the names of those certified because, as the minister will understand, it is not easy to deal with the situation unless they have the names.

Mr. Nicholson: Mr. Speaker, I think I can answer this question briefly. The trouble with my previous long statement was that it answered three or four questions. I will say to the hon. member for Burnaby-Coquitlam that in order to ensure that the certifications will apply to workers, the secretary of the board has been asked to get in touch with the union representatives.

Hon. Michael Starr (Ontario): Mr. Speaker, I have a supplementary question to the

Minister of Industry. I wish to ask if he can tell us whether all the motor car companies in Canada are using the same formula in applying the auto pact.

Hon. C. M. Drury (Minister of Industry): Mr. Speaker, I am not too sure of the import of that question. I can say, however, that all the motor car manufacturers in Canada are subject to the same rules, regulations and order in council.

Mr. Starr: Mr. Speaker, in view of the fact that the minister is not sure, would he not agree that the auto pact should be referred to a standing committee of the house so we may be able to ascertain the true facts?

Mr. Speaker: Order, please.

[*Translation*]

SHIPPING

ST. LAWRENCE RIVER—USE OF ICEBREAKERS

On the orders of the day:

Mr. Gilles Grégoire (Lapointe): Mr. Speaker, I should like to direct a question to the Minister of Transport.

In view of the fact that ships on the St. Lawrence cannot count on the services of Canadian icebreakers, does the minister intend to table in the house a copy of the instructions given to the icebreakers in operation on the St. Lawrence and does he propose to set up an inquiry on the role of the icebreakers and their efficiency in assisting ships on the St. Lawrence?

[*English*]

Hon. J. W. Pickersgill (Minister of Transport): Mr. Speaker, I will give most careful consideration to the hon. gentleman's request.

TRANSPORT

PROPOSED SURCHARGE ON CARGOES TO VANCOUVER FROM JAPAN

On the orders of the day:

Hon. E. D. Fulton (Kamloops): Yesterday, Mr. Speaker, I asked the Minister of Trade and Commerce if he could report progress on the negotiations regarding the proposed surcharges on shipping into the port of Vancouver. The minister was good enough to say he would take the question as notice. Is he in

a position today to give an answer to my inquiry?

Hon. Robert Winters (Minister of Trade and Commerce): Yes, Mr. Speaker. The National Harbours Board and the department have been in direct communication with the trans-Pacific freight conference of Japan directly and through our embassy in Tokyo with respect to the announcement of the intended 15 per cent surcharges on freight rates to the port of Vancouver.

Their attention has been drawn to the marked improvement in operating conditions in that port, which are being restored to normal. The conference recognizes that conditions have considerably improved, and it is hoped that the threat of surcharges has been removed.

Mr. Fulton: The minister has answered, as I understand it, with regard to the proposed surcharge by the Japanese conference. I understand a similar surcharge has been proposed by the conference working out of San Francisco. Does the minister's reply extend also to that proposed increase?

Mr. Winters: That one is under protest, Mr. Speaker, and I express the hope the same answer will apply. I am not certain on that point as yet.

TRADE

CANADIAN PARTICIPATION IN MEETING RESPECTING LATIN AMERICAN COMMON MARKET

On the orders of the day:

Hon. Robert Winters (Minister of Trade and Commerce): A question was asked yesterday by the hon. member for Okanagan-Revelstoke about a meeting in April in Uruguay designed to set up a common market for 19 Latin American nations. The question was about Canada's participation. I understand that a tentative meeting is being called for next April by 20 American republics which are members of the Organization of American States. Among the subjects which may be discussed is a proposal that the still developing Latin American free trade association be converted into a Latin American common market as rapidly as possible. Canada is not a member of the Latin American free trade association, and is not involved in the April meeting.

NATIONAL DEFENCE

POSSIBLE REDUCTION OF CANADIAN COMMITMENTS UNDER NATO AND NORAD

On the orders of the day:

Hon. Gordon Churchill (Winnipeg South Centre): I have a question for the Secretary of State for External Affairs, Mr. Speaker, if I could get his attention. Yesterday I framed a question in the rather confused style of the minister's answers, and I made a mistake. Today I want to put it in my own style. Is it the government's intention to reduce our commitments to NATO and NORAD and make the peace keeping activities under the United Nations the main effort of our armed forces?

Hon. Paul Martin (Secretary of State for External Affairs): No, Mr. Speaker.

Mr. Knowles: Why not?

CANADIAN BROADCASTING CORPORATION

INQUIRY AS TO POSSESSION OF COLOUR TELEVISION SET BY MINISTER

On the orders of the day:

Mr. J. M. Forrestall (Halifax): My question is for the Secretary of State. I wonder if she would be kind enough to answer certain rumours that are going around by advising the house whether she has one of those infamous colour television sets, either in her office or her apartment?

Hon. Judy V. LaMarsh (Secretary of State): Sure; I have one in my office, as any minister responsible for the C.B.C. has always had.

Mr. Speaker: Order, please. A question on this subject was put on the order paper and answered.

WOMEN

PROPOSED B.C. LEGISLATION PERMITTING WORK IN MINES

On the orders of the day:

Mr. T. S. Barnett (Comox-Alberni): I have a question for our Secretary of State for External Affairs which arises out of his having ratified last fall, on behalf of Canada, an I.L.O. convention having to do with the prohibition of women working in mines. I should like to ask the minister whether he is aware that a bill which will allow women to work in mines has been introduced into the legislature of British Columbia. If so, can he

tell us whether this proposed legislation in any way contravenes the international convention?

Mr. Speaker: Order, please. The hon. member asks a question which is clearly out of order. For one thing he is asking for an expression of opinion on a legal matter, and that cannot be done on orders of the day.

EXTERNAL AFFAIRS

POSSIBLE LEGISLATION TO PROTECT CANADIAN INVESTMENT ABROAD

On the orders of the day:

Hon. J. W. Monteith (Perth): I should like to ask a question of the Minister of Trade and Commerce, Mr. Speaker. Is the government considering legislation to insure Canadian companies in developing countries against loss through nationalization, revolution or any other political development under their governments?

Hon. Robert Winters (Minister of Trade and Commerce): No, Mr. Speaker. There has been a suggestion that something might be done under the provisions of the Export Credits Insurance Corporation, but no new legislation is being contemplated.

BILINGUALISM AND BICULTURALISM

SUGGESTED RELEASE OF COMMISSION STAFF TO OVERCOME TRANSLATION BACKLOG

On the orders of the day:

Mr. Lloyd R. Crouse (Queens-Lunenburg): I have a question for the Acting Prime Minister. In view of the fact that there is an estimated two million word backlog of English-French translation in government work, representing about six man years of labour, is the government giving any consideration to the early termination of the activities of the commission on bilingualism and biculturalism, which compounds this problem?

Mr. Speaker: Order. The question as asked includes an inference, and cannot properly be asked at this time.

Mr. Crouse: I wish to rephrase my question to the Acting Prime Minister, and ask him whether he will give consideration to releasing the staff now engaged by the B and B commission in order to shorten the delay which presently exists in the translation of government documents, and speed up the process of government.

[Mr. Barnett.]

INQUIRY OF THE MINISTRY

On the orders of the day:

Mr. Eric A. Winkler (Grey-Bruce): I should like to ask the Acting Prime Minister whether orders have been transmitted for the return of the hon. member for Leeds from his world-wide trip.

Hon. Paul Martin (Acting Prime Minister): I know the hon. gentleman is envious both of the opportunity which has been given to the hon. member for Leeds and of the distinguished way in which he is carrying on his activities.

Mr. Winkler: I should like to ask the Acting Prime Minister what is the fee for joining the J. R. Matheson appreciation organization.

Mr. Speaker: Order.

PROCEDURE

INQUIRY AS TO PERSONNEL OF SPECIAL COMMITTEE

On the orders of the day:

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, may I direct a question to the leader of the house with reference to the special committee on the procedure of the House of Commons. The motion setting up this committee was passed on January 25. Can the hon. gentleman say when the personnel who are to serve on the committee will be named, and can he tell us what are the government's intentions for this committee during the remainder of this session?

Hon. G. J. McIlraith (Minister of Public Works): I hope the persons who are to serve on this committee will be designated today. As to the plans of the committee, I cannot very well speak on the committee's behalf.

EXPO '67

PROPOSED IMPORTATION OF VESSEL FOR USE AS FLOATING HOTEL

On the orders of the day:

Mr. Frank Howard (Skeena): I believe my question should be directed to the Minister of National Revenue inasmuch as it relates to customs matters. Has any application been made to bring a ship called the *Florida* into Montreal harbour from its present berth at Tampa, Florida some time around March 1 to be used as a floating hotel for visitors to Expo? In view of the fact that the *Florida* is built of wood to the extent of some 25 per

cent and is similar in construction to the *Yarmouth Castle,* which burned and caused the loss of so many lives, will the use of this vessel be permitted for the purpose intended?

Mr. Speaker: Order. Since I do not think there is any immediate urgency about this question I suggest it be placed on the order paper.

CRIMINAL CODE

SUGGESTED AMENDMENT RESPECTING BREATHALIZER TESTS

On the orders of the day:

Mr. Barry Mather (New Westminster): I had wished to direct a question to the Minister of Justice. In his absence his parliamentary secretary might take it as notice. Having in mind the recommendation of the committee on justice and legal affairs with regard to mandatory breathalizer tests for drinking drivers, is the minister considering such a provision?

IMMIGRATION

PROVISION FOR ESTABLISHMENT OF APPEAL BOARD

The house resumed, from Wednesday, February 22, consideration in committee of Bill No. C-220, to make provision for appeals to an immigration appeal board in respect of certain matters relating to immigration—Mr. Marchand—Mr. Batten in the chair.

The Chairman: When the committee rose yesterday clause 21 of the bill was under consideration. Clause 19, with an amendment proposed by the hon. member for York South, and clause 20 were allowed to stand.

On clause 21—*Certificate of minister and Solicitor General.*

Mr. Bell (Carleton): I wonder whether the hon. member for Greenwood would permit me just a moment in which to raise a matter arising from the deliberations of the joint special committee on immigration sitting today in Montreal.

I am advised that this committee, in a resolution moved by the parliamentary secretary to the Minister of Indian Affairs and Northern Development and passed unanimously, asked this house and the committee of the whole not to proceed further with the legislation now under consideration until the special committee has completed the hearing of the evidence in Montreal, much of which apparently relates to this particular bill. Could the leader of the house or the minister

indicate the attitude of the government toward this unanimous request in a resolution moved by a junior minister, the hon. member for Parkdale? This is a request to which I am sure serious attention should be paid, particularly if, as indicated, evidence is being taken in relation to the bill before us.

Mr. Marchand: I heard about this resolution which was adopted in Montreal this morning. As to the suggested procedure itself, I am not very happy about it. A committee sitting outside Ottawa is asking the house to hold up an important piece of legislation. The committee knew this question has been under consideration since Monday, and if this matter was of such importance to the special committee members it would have been possible for them to have been here yesterday.

Nevertheless, though I do not agree with the procedure, I am ready to hold up clause 1 of the bill so the members of the committee may be given an opportunity to communicate their views to the committee of the whole.

Mr. Starr: But suppose it was the intention of the committee to propose amendments to certain clauses in this bill which have not yet been passed. If these clauses are carried there will be no opportunity for the hon. members concerned to give effect to their proposals.

Mr. Marchand: Most of the clauses have been adopted now. There are only a couple of clauses which remain to be passed, so I do not see the purpose of postponing altogether the discussion in committee.

• (3:10 p.m.)

Mr. Brewin: Mr. Chairman, in moving today the amendment to which I referred yesterday I will not repeat what I said at that time. I have here copies of the amendment I propose to move, which proposes to delete the present clause.

The Chairman: Order. May I ask the hon. member for Greenwood whether he now is referring to clause 21?

Mr. Brewin: Yes, I am.

The Chairman: The hon. member for Greenwood.

Mr. Brewin: Mr. Chairman, the proposal in my amendment of which I gave notice yesterday is to delete present clause 21. As the committee will know, this clause in effect provides for the removal of security cases from the jurisdiction of the appeal board when the minister and the Solicitor General

file a certificate asking that that be done. The amendment I propose simply provides that in fact there shall be an appeal in these cases as in other cases, but that the evidence and the sources of information in security cases should not be revealed. On the other hand, however, the appeal board may require that particulars as to the reasons for which the would be immigrant is being excluded be furnished by the department.

In any sort of proceeding it is an elementary and fundamental rule of justice that the case against a man should be set out with reasonable particularity so he shall have the opportunity to meet the case against him. I may say that as long ago as 1930 Chief Justice Duff of the Supreme Court of Canada said this rule was applicable to immigration proceedings. The Canadian Bill of Rights passed by this parliament speaks of a right to a fair hearing. It has been made perfectly clear that a fair hearing involves some degree of knowledge of the case which is made against the person concerned.

In his remarks yesterday dealing with what I have said about this, the minister spoke of the fact that I referred to immigrant applicants who came from behind the iron curtain. This is perfectly true; I did refer to them. I sought to point out the very great loss to Canada which could result from the application of security requirements which in my view are outdated, and which have brought about the exclusion of many persons from countries such as Poland and Yugoslavia.

I pointed out that this situation does not prevail in other western democratic countries such as France and Germany, which have imported labour in substantial numbers from behind the iron curtain who have made a very large economic contribution to the prosperity of those countries. I referred to this merely as an indication of my view that security precautions, even though they may be necessary in some cases, sometimes are given an importance far beyond what they deserve or beyond what is required.

The cases I have in mind in respect of this amendment are not primarily the cases of people who come from behind the iron curtain. I am thinking of people from all over the world, particularly from countries like Italy and Greece whose names presumably appear on the political lists in the countries from which they come. Personally I know that in many of these cases the information when investigated, turns out to be flimsy and inadequate. Unless these people have the right of appeal and have the right to know the substance of the case made against them, then the people who are most deserving of consideration by this house in dealing with the matter of immigration appeals will be excluded from the application of the legislation.

The minister spoke of the immigrant or the sponsor having no rights. I am sorry the minister is engaged at the moment; perhaps he will have an opportunity to look at my remarks later. I should like to say to him that this statement that they have no rights is a misconception; it is not a sound statement. In the past we have conferred and no doubt in future we in this parliament will confer statutory rights on people who wish to come to Canada. We confer those rights largely for our own benefit; we wish them to have a fair hearing.

Again, if the minister were to doubt my statement on this matter I would refer him to the Supreme Court of Canada case of Leon Ba Chai in respect of which Chief Justice Taschereau, speaking of the Supreme Court of Canada, clearly stated that the father of a would be immigrant who sought to bring his child to Canada had a clear right to a fair hearing in accordance with the law.

We are now trying to expand this right by giving a right of appeal. We should give that right full scope by making sure the right of appeal is available to those who need it most; that is, the cases involving so-called security reasons. I notice the minister is disengaged now, and perhaps the house will forgive me if I repeat what I said a moment ago. If the minister will look at the Leon Ba Chai case he will find that no less a person than Chief Justice Taschereau clearly stated there is a statutory right for a sponsor to have a fair hearing concerning the right of the person to be in this country.

So it is not correct, as the minister has repeatedly said, to say that no such right exists. No doubt other ministers have said this, and I do not blame the minister for saying it. These are rights which do not exist unless we as members of parliament have in fact conferred these rights on such people.

In dealing with this problem the minister says there is no half way house. He says you either must have a full hearing in which all evidence and all sources of material are disclosed in these security cases, or no appeal at all. I should like to say to the minister with all respect that someone has given him some very bad advice. So far as I am concerned I

am prepared to say that no one with any practical experience in these matters could possibly say it is not of great value to have what he considers to be a half way house, if you cannot have the full particulars made available, so as to enable the person involved to present his case in the way he could not otherwise present it.

As the Minister of Transport is aware, I was involved in these matters long before I became a member of this house. I can say without the slightest shadow of a doubt that the provision of particulars is a valuable right and one which enables an applicant to know the sort of case he must meet. Justice perhaps cannot be done perfectly in that way, but some degree of justice can be done. I should like to say to the minister—I am afraid this is repetition, but it does not seem to have sunk in too well—that this very right was provided during the war under the defence of Canada regulations in internment cases.

• (3:20 p.m.)

I was involved in a good many internment cases where the appeal board gave particulars to counsel for the parties, which enabled them to present their cases and on many occasions gain their clients' liberty. The minister says no lawyer would be satisfied to have what he calls this half remedy that I have suggested. I say to him this is really not so. Of course the lawyer would prefer to have the whole of the evidence, but it just is not the fact that if he cannot get the whole of the evidence he would not desire, in order to be able to protect his client, to have these particulars placed before him. The question is, can this be done without endangering the security of the state? It is necessary for a fair hearing of the appeal, and I suggest it can very well be done, as was done in my experience of internment cases.

During the course of his remarks the minister said he thought I was exaggerating when I suggested that half the value of this excellent bill—and I say it is excellent in its general purport—conferring these rights of appeal was taken away when the benefits of the legislation were denied in security cases. From my experience in this field, and it is very, very considerable, nearly half the cases involved are security cases or at least are assumed to be security cases, because no reasons whatsoever are given for the refusal to admit. I see the minister shaking his head. I can assure him without the slightest doubt if I can assure him of anything at all, that the right proposed in the amendment which I now put before the committee is one that would be valuable and helpful to those concerned, and could be granted without endangering in any way the security sources from which some of this information comes.

If the minister does not choose to accept this amendment now I can assure him that he will continue to be plagued until this matter is cleared up and this right is made available to those people who are very often victimized because of mistaken identity, some error in their youth or some misconceived political views of some police authorities who are often not too well qualified to hold such views. Again I plead with the minister to give serious consideration to this amendment.

I now move the amendment, Mr. Chairman. I do not think I need repeat the wording.

Mr. Marchand: I think the hon. member moved it last night.

Mr. Brewin: No, I did not move it last night. I will read the amendment. I move:

That Bill C-220 be amended by striking out section 21 thereof and substituting the following:

21. If a certificate is signed by the minister that in his opinion the basis for the order of deportation or the refusal of admission in appeal before the board is a matter which affects the security of Canada and that it would be contrary to the interest of Canada to disclose the sources of information justifying such order or refusal, then the board may conduct the hearing of the appeal in camera and, in respect to such evidence, in the absence of the accused or his counsel, but the board may direct that the minister shall furnish to the board and the appellant particulars of the allegations without disclosing the source thereof.

The Chairman: Order. May I say at the outset that I am going to accept the amendment moved by the hon. member for Greenwood. Perhaps today I should make further reference to the rules and practice in committee respecting the deletion of a whole clause and substituting another therefor. May I read from May's seventeenth edition, page 550:

An amendment to leave out a clause is not in order, as the proper course is to vote against the clause standing part of the bill. Consequently it is out of order to propose to leave out the only effective words of a clause, or the words upon which the rest of the clause is dependent, or to offer any other amendment which is equivalent to a direct negative of the clause.

This principle has also been applied in the case of a clause substituting a new section for a section in an existing act of parliament when an amendment is offered to leave out all the words of the new section and insert another new section instead thereof . . .

Furthermore, an amendment may not be moved to insert words at the beginning of a clause with a view to bringing forward an alternative scheme to that contained in the clause, or to leave out the whole substance of a clause in order to insert different provisions, or to substitute in effect a new draft for an existing clause.

I might say to the hon. member for Greenwood that my consideration of this particular point in our procedures has not gone far enough for me to be able to say that this ruling should be rigidly applied, but I point out to hon. members of the committee the procedure which is being gradually adopted. However, in this case I am going to accept the amendment moved by the hon. member for Greenwood.

Mr. Marchand: Mr. Chairman, I do not have much to add to what I have already said on this clause. I just want to refer to a few examples given by the hon. member for Greenwood. The hon. member spoke of what is happening in France and Germany concerning the emigration of people coming from behind the iron curtain. I think he is right. But I do not believe that either in Germany or France immigrants have 10 per cent of the rights given to immigrants to Canada. Also, they are on the continent, and it is very easy to send them back home. Here in Canada it is another matter. So if the hon. member wants to have the type of legislation that France and Germany have in respect of immigrants, I do not think we will gain anything. Therefore I do not believe the comparison is just. If in France they believe a man is a danger to the security of the state he is just not allowed to enter that country, or he is deported right away without any appeal or any right. This is the situation, and I do not think we can compare it with the situation in Canada.

The hon. member mentioned that 50 per cent of the cases in which he was involved were security cases. I think he included in this figure prospective immigrants from behind the iron curtain who are not allowed into Canada. I am not speaking of sponsored immigrants but non-sponsored immigrants. The hon. member qualified those cases as security cases. Of course they are refused in accordance with our general security policy, but they are not refused on security grounds, formally speaking. Therefore if the hon. member includes these people in his figure I understand his argument; but I do not think they are security cases in the sense of "security" as it applies in this provision.

[The Chairman.]

• (3:30 p.m.)

Let us forget about communists and speak of extreme right wing elements coming here from France; persons involved in violence in Algeria, for example. Of course we receive reports on such people, and we are in no position to give out this information; otherwise the system would be useless. So all we can say to this man is that his application is rejected in accordance with such and such section of the Immigration Act. We cannot go further than that; otherwise I think he would be deprived of the information on which the case was judged. Therefore in the present state of affairs I think it would be best to adopt the clause as it now stands in the bill and after we have received the report of the royal commission on security we will be better able to find new procedures to deal with those cases. However, in the meantime it would surely not be wise to accept the proposed amendment.

Mr. Lewis: Mr. Chairman, it has become quite clear that the minister's mind is closed on this subject. In fact I may say, with all due respect to the minister, that he has not even bothered to read the amendment which was put before him.

Mr. Marchand: Yes, I did.

Mr. Lewis: If he had read it he would not have made the remarks he did. The problem on this issue, ever since second reading of the bill a couple of days ago, is that the minister and his advisers have closed their minds completely and if any suggestion is made to them, no matter how reasonable or practicable, they will not look at it. If he is in that mood, then nothing anyone can say will change his mind.

This is not a matter of the number of people affected even though my colleague, the hon. member for Greenwood, mentioned the figure of 50 per cent. I do not personally care whether one or 1,000 persons are affected. The point is that a basic principle is involved, one with which I am sure the minister and the Solicitor General agree. I do not understand the minister's logic when he says over and over again that it is right, proper and not frustrating to give the appellant no information at all but there is something vicious about giving him part of the information. I invite the minister to look at this amendment carefully. What the amendment proposes is that in a security case—and according to the amendment the minister will determine what is a security case—(a) the board will conduct

the hearing in camera; (b) the board will hear the evidence against the accused in the presence of the accused and his counsel and, (c) nevertheless the board may direct that the minister shall furnish to the board and the appellant the particulars of the allegations without disclosing the sources thereof.

What would be the effect in practice of this suggested procedure? The effect would be that the minister would provide a certificate saying that the case in question was a security matter and that a disclosure of the sources of information would be against the national interest. At that point the minister would provide the board and the appellant with a general statement as to the grounds on which the deportation order or the refusal of the application for admission was based. The statement may say: You were in Algeria between such and such years and you were guilty of acts of violence, or it may say, you were engaged in acts of robbery or other such acts in such and such a country during those years, and no more than that. The statement may say: You were a member of the Communist party in country A between such and such years. I say to the minister that while this information may not be adequate in an ordinary court hearing it would at least enable the person concerned to produce evidence to meet that allegation, if he can.

The amendment says that if the board so determines it can hold a hearing in camera and it can hear the officer of the department or the officer of the R.C.M.P. in the absence of the accused. It seems to me, after having read *Hansard,* that perhaps the minister did not understand the reference which I made in an earlier speech. I would therefore like to draw to his attention again my own personal experience, because this is the way in which we learn about these things. As I previously informed the house, about a year ago a client of mine, a certain employee of a government corporation, was refused certain rights in an alleged security matter. A royal commission of inquiry was appointed consisting of one person and certain information was provided to him similar to the particulars suggested in this amendment. Neither the person concerned nor I as his counsel were present when the commissioner heard the evidence against my client. The commissioner then asked him questions which were obviously based on the information he had received. My client was able to give answers and to persuade the commissioner that the allegation that he was a security risk was incorrect, and the commissioner so informed the Minister of Justice. Thereafter the man regained the rights which he had lost.

I say to the minister that on the basis of that experience, the experience of my colleague, the hon. member for Greenwood, during the war before the internee appeal tribunals, and on the basis of experiences that I could cite to him for the next several hours, this kind of procedure is of value. It does not give the appellant the normal rights of a hearing, but we agree with the minister that these are abnormal circumstances and that normal rights cannot apply. We merely plead with the minister to apply that abnormal right which, however, would adequately protect the security of Canada and would give the person concerned a chance to be heard and to make his case. This is what this amendment is about.

When the minister says to me, as he did the other day, that he knows I would not be satisfied with this information, I say to him that at least I would know the limits of the information I can receive, if this amendment is adopted, and whether I like it or not would make no more difference than under the minister's proposal which would provide me with no information at all. However, I hope to be a member of parliament for a good many years and therefore I will not be acting in these cases, but if I did I would know what the law says.

What is the virtue of denying me all information and making me incapable of doing anything at all as against giving me some information on which I may be able to do something? I cannot follow the minister's logic. My hon. friend suggests that perhaps there is none. However, I do not follow the logic that it is better to give no information than some information. As far as this amendment is concerned, I suppose that if the minister gave a certain amount of information he could still argue that in the circumstances of the case this was all he could give.

Let me point out to him again, because I am certain he has not read the amendment carefully, that what this amendment says is not that he must give information to the appellant in every case but that the board may direct that the minister shall furnish particulars to the board and the appellant. Therefore he can argue with the board as to precisely what particulars should be given. Under this amendment he will have a great deal of leeway to control the situation with respect to the extent of information which it

is safe to put before the appellant. Of course the board must be trusted with protecting national security as carefully as would the minister or any other member of this house.

• (3:40 p.m.)

As I said, I rose to my feet this time with much greater frustration than the minister would have felt if he had agreed to provide part of the information, because quite a few speeches have been made on this subject. I believe the hon. member for Carleton made two or three speeches, the hon. member for Peace River has spoken, I have spoken for the fourth time on this subject, and my colleagues have also done so on two or three occasions. If we cannot persuade the minister, then I guess we cannot persuade him. If a majority of the committee is of the same opinion, then the will of the minister will prevail. However, I say to him that the really desirable purposes of this bill are somewhat tarnished. I am not going to say that they are half spoiled or anything like that because he would be right in accusing me of exaggeration. However, the purposes are tarnished by leaving in the bill a totally undemocratic and indefensible position. When a practical suggestion is made to him that defends Canada's security and at the same time makes some step toward justice in these security cases, it seems to me he ought not to have his mind as closed as it appears to be.

Mr. Bell (Carleton): Before a vote is taken on the amendment moved by the hon. member for Greenwood, perhaps I should make my views clear. With the general objectives that the hon. gentleman seeks to achieve I have not the slightest quarrel. Indeed, I uphold them enthusiastically. However, in so far as the procedures and techniques which this amendment would import are concerned, I have the gravest reservations. This field, as I have indicated earlier, is one over which I have agonized on many occasions. The view we take was clearly set forth in the amendment which we moved yesterday and which was voted down at six o'clock last night.

In our view these security and criminal intellegence reports should be laid before the board. The validity of them should be tested by the board. These reports must be kept secret, though the existence of such reports should be made known to the appellant. The views which we expressed at that time did not meet with the approval of the committee, so we are confronted with this amendment which has a number of weaknesses in its techniques and procedures.

[Mr. Lewis.]

I point out that, in the first instance, Mr. Chairman, it deals not at all with criminal intelligence. It sets aside completely clause 21 which deals with both security and criminal intelligence and substitutes nothing whatever for the procedures to be adopted with relation to criminal intelligence reports. I believe that in this day at least this may be equally as important as the reports with relation to security. As the minister pointed out yesterday, this may be dangerous for the individuals involved. If the committee adopted this amendment we would have to go further and make some provision for reports on criminal intelligence.

There is another objection to the draftsmanship of this amendment and that is the use of the word "particulars". In my view, sir, that is a term of art well understood by members of the bar and by solicitors. A demand for particulars is provided for under the Judicature Act, and under the rules of practice must be responded to with genuine particulars. There is a wide field of jurisprudence in that regard which the Supreme Court of Canada undoubtedly would import in any interpretation of this clause.

There will always be a barrister sitting as a member of the board, so I venture to suggest the board would import into the interpretation of this amendment all the law relating to a reply to a demand for particulars. I doubt that particulars, in the form given in civil cases in the law courts of this country, could conceivably be given to an appellant without disclosing the sources. If this is done I think you would dry up all possible sources.

I reiterate that with the general objective of the democratization of the procedure for dealing with security cases we on this side are in full accord. However, the particular manner in which this objective is sought to be achieved is one which does not commend itself to us. We believe it to be deficient as compared with the proposal we made yesterday.

Mr. Marchand: I do not want to be repetitious, although I know that is inevitable at this stage, but I believe the hon. member for York South stated that we are denying the right of appeal under clause 21 to certain categories of immigrants or sponsored immigrants. This is not true. They still have the right of appeal to the board on legal grounds. In this case the board will not be in a position to exercise the discretion given to it under clause 15. However, the legality of the order may be contested and there may be a hearing.

If the hon. member for York South reads the clause carefully, I think he will find that board is restricted but the right of appeal still exists.

Mr. Lewis: May I ask the minister what the legal grounds might be with which the board could deal in these cases?

Mr. Marchand: I have no example to give, but perhaps the order for deportation may be against the law; it may not be well founded and it could be contested before the board.

Mr. Lewis: I suppose the minister is referring to details such as the wrong person signing the order or no inquiry having been held. This really would not get us very far.

[*Translation*]

Mr. Mongrain: Mr. Chairman, I have read the amendment moved by the New Democratic Party. It suggests that in certain cases which, under the bill, would be simply settled by the Minister of Manpower and Immigration (Mr. Marchand) and the Minister of Justice and Attorney General (Mr. Cardin), it will be possible just the same to hold a confidential investigation in camera, and it will not be required to make public all the particulars on which either minister based his decision.

I listened closely as always to the statements of our friends of the New Democratic Party. I must say that, on several occasions, I had to change my mind after hearing certain interventions of our N.D.P. friends, who usually take the trouble to provide the house with a great deal of information.

A while ago, I was listening to the hon. member for York South (Mr. Lewis) say that a basic principle was involved and that he could not believe that the minister was logical. This is rather strange, but it proves that truth is not transcendent, that it is not the same for all, for I too, believe there is a basic principle involved. But it does not seem to be the same that is proclaimed by the hon. member for York South.

Nor can I believe that the attitude of our friends of the New Democratic Party is logical. I understand that some of them have had unfortunate experiences during the last war. It will be recalled that censurable and, from many points of view, unfortunate things have been done.

• (3:50 p.m.)

However, it must be admitted that, in the history of a country such as ours, crises occur and such things do happen. But the basic principle here, as I see it, is to determine how best we can protect the common good. And, in order to protect the common good—I am taking an extreme case here, because I do not think it can ever occur—suppose some injustice had to be committed—as I said before, I am carrying matters to extremes—such as, for instance, handing down a decision having an adverse effect upon the personal lives of 150 immigrants per year, because they are considered as risks. The government would still be justified in taking such action, because I feel that any Canadian government, of whatever political colour, must make such decisions, after the necessary investigations, in order to preserve the common good.

I must admit that I am concerned by the position taken by our friends of the New Democratic Party. I understand that it stems from their basic philosophy, namely the protection of the individuals, of human person. This helps us to understand their attitude, to a certain extent.

But I wonder whether they do not carry this concern, this solicitude for the human person too far, and even to the detriment of the commonweal, when, one after the other, they take in the house, the defence of certain habitual criminals, certain individuals who are obvious risks from the viewpoint of security. In certain cases, they even put pressure on these people who seemed satisfied with the situation imposed on them by the government, but who, under the pressure exerted by our friends of the New Democratic Party, make appeals which are rather unexplainable.

I wonder whether that justifies them in discrediting by certain statements and certain actions, the important role of our police force, and sometimes the role of the judicature—I am thinking about the judges appointed to royal commissions for instance.

I submit that the majority of Canadians want the government to have enough leeway to discharge its responsibilities, that is to protect the common good and to prohibit under this legislation, entry into our country, or to prevent someone from staying here any longer because that person, even if not guilty of treason or any violation of the security of the state, is suspected of such activity. On the other hand, I think that the Canadian people should get the benefit of the doubt, but not those exceptional cases.

If that amendment were accepted, we would achieve the opposite purpose. That

would bog down the appeal board, because we know that most of those individuals, who are a security risk, usually have the means to retain the services of learned lawyers, counsel and financiers in order to prosecute their claims to a final conclusion. The board, therefore, will be hampered and will have to investigate such cases most of the time, while deserving cases will have to wait months and months before they can come up for consideration.

Mr. Chairman, I feel that the minister should stand firm on this point. The solicitor general and he should rely on the advice of the R.C.M.P. and all the other bodies which investigate such cases. In my opinion, they should take a strong and energetic position, thus meeting the wishes of most Canadians who are concerned about those serious cases.

There are several of them but I will give as an example that of some trouble-makers who were the instigators of some separatist movements in the province of Quebec and who are in jail right now, at least some of them. It was discovered that those people had immigrated to Canada under an Immigration Act which was too generous. If some teeth had been left in, it might have been possible to prevent those trouble-makers from coming here. I am thinking of one case which my hon. friends will recall. It deals with a man called Ramsay who, at about this time last year, entered Canada and confessed over the public radio network that he had been responsible for the racial troubles in Los Angeles, that he had been one of the agents in at least half a dozen revolutions in half a dozen countries. He also admitted that he was a trouble-maker and that, upon his arrival here, he had contacted the leaders of the most anarchic separatist movements in the province of Quebec. He was here and he could be heard over the public radio network Mr. Chairman.

However, I think the minister of immigration and the Solicitor General must have sufficient authority, without having to waste the time of their officials or their own time dealing with considerations or concerns related to the common good of the majority of Canadians. The minister should have enough authority to be able to say: No, that person shall not enter. Anyway, that should only be the exception, since there are a great number of desirable people in every country of the world who would like to enter Canada. Their applications should keep all immigration services busy. In my opinion, these services should be granted all the time they need, enabling as many as possible to enter. I am not particularly concerned with immigrants from behind the iron curtain, but I nevertheless feel that the responsible minister should be able to exercise discretionary powers without having to waste their time with a lot of legal red tape, and God knows how much smart lawyers can think up.

Mr. Chairman, I urge the minister to take a firm stand and I repeat that, in so doing, he will be living up to the expectations of most Canadians, who are worried by the ease with which certain considerations can cause dissension in our midst.

[*English*]

Amendment (Mr. Brewin) negatived: Yeas, 7; nays, 24.

The Chairman: I declare the amendment lost. Shall clause 21 carry?

Mr. Marchand: I should like to propose an amendment to this clause consequential upon that which was made to clause 15. In clause 15 we gave the board authority not only to stay an order of deportation, or an order refusing admission, but to quash such orders. I think we should make the same amendment to clause 21. I will therefore ask one of my colleagues to move:

That clause 21 of Bill C-220 be amended

(a) by striking out lines 42 to 44 on page 7 and substituting therefor the following: "15, stay the execution of a deportation order or thereafter continue or renew the stay, quash a deportation order, or direct the grant of entry or landing to any person, or"

(b) by striking out lines 9 and 10 on page 8 and substituting therefor the following: "interest for the Board to take such action."

Mr. Pickersgill: I so move.

Amendment agreed to.

Clause as amended agreed to.

• (4:00 p.m.)

Mr. Marchand: With the permission of the committee I should like to revert to clause 19 which was allowed to stand yesterday. The hon. member for York South moved an amendment. As I stated at the time, I am in perfect agreement with the principle involved. I mentioned that I wished to instruct the officers who would have to follow this procedure, but he prefers to have an amendment to include this in the law. What I had in mind probably would have gone further. If the hon. member for York South is prepared

to modify his amendment I am ready to support it. I should like to read what I wish to propose:

That clause 19 of Bill C-220 be amended by adding thereto the following subclause:

Grounds of order or refusal

(2) Every appellant under section 11 or 17 shall be advised by the minister of the grounds on which the deportation order was made or the refusal to approve the application for admission into Canada was based.

If the hon. member does not agree to the modification then I will not move this as an amendment.

Mr. Lewis: It seems to me that this serves the purpose I had in mind. Since the minister and his advisers have changed the wording, I am sure there is good reason for this. I am quite happy with the amendment the minister has proposed. The only matter of substance which has been left out is the suggestion that the board would prescribe the manner of giving this information. I do not think that is necessary. I am quite prepared to accept the proposal the minister has made. I do not care who moves the amendment.

Mr. Pickersgill: I would suggest, Mr. Chairman, that the hon. member be allowed to withdraw his amendment and then move this one.

Mr. Lewis: I am not sure whether I formally moved my amendment.

The Chairman: As found on page 13363 of *Hansard* the hon. member for York South said:

I have copies of a proposed amendment, Mr. Chairman. I move:—

If it is the wish of the hon. member for York South to withdraw his amendment, this can be done with the unanimous consent of the committee.

Mr. Lewis: It will facilitate matters if I withdraw it. I therefore withdraw the amendment.

Amendment (Mr. Lewis) withdrawn.

Mr. Lewis: At this time I should like to move the amendment which has been proposed by the minister.

Amendment agreed to.

Clause as amended agreed to.

Mr. Marchand: Mr. Chairman, I wonder whether it would be possible to revert to clauses 3 and 6. I have amendments I should like to propose to these clauses.

The Chairman: Clauses 3 and 6 have been disposed of by the committee. It would be possible, with the unanimous consent of the committee, for the minister to revert to these clauses.

Mr. Bell (Carleton): Perhaps the minister would tell us what he wishes to propose.

Mr. Marchand: We have taken from the members of the board the power to sit alone in order to decide cases. We are afraid that too many cases will have to be decided by the board itself and therefore possibly it would be wise to foresee in this legislation the need to increase the number of members from seven to nine in order to have three panels. This is the purpose of the two amendments I wish to present.

Mr. Bell (Carleton): I think there would be unanimous consent to revert to clauses 3 and 6.

Some hon. Members: Agreed.

On clause 3—*Board established.*

Mr. Marchand: There is one other point I should mention, the addition of a vice-chairman. If there are to be three panels I think we must have a chairman and two vice-chairmen. The amendment to clause 3 reads as follows.

(a) by striking out line 2 on page 2 and substituting therefor the following:

"Immigration Appeal Board consisting of not less than seven nor more than nine members to"

(b) by striking out lines 12 and 13 on page 2 and substituting therefor the following:

"One of the members to be chairman of the board and two of the members to be vice-chairmen of the board."

(c) by striking out line 15 on page 2 and substituting therefor the following:

"of the chairman, a vice-chairman or any other member or"

(d) by striking out lines 21 and 22 on page 2 and substituting therefor the following:

"person has been so appointed to act in his stead, a vice-chairman designated by the minister, has and may exercise and perform all of the duties"

Mr. Pickersgill: I so move.

Amendment agreed to.

Clause as amended agreed to.

On clause 6—*Head office.*

Mr. Marchand: The amendment to clause 6 reads as follows:

That subclause 3 of clause 6 of Bill C-220 as added by amendment to clause 6, be amended by striking out the words "or the vice-chairman", and substituting therefor the following: "or one of the vice-chairmen"

Mr. Pickersgill: I so move.

Amendment agreed to.

Clause as amended agreed to.

On clause 20—*Hearing of appeal.*

Mr. Bell (Carleton): Mr. Chairman, I indicated that when clause 20 was called I would be moving an amendment. That amendment, however, was consequent upon the amendment I moved to clause 21. The amendment to clause 21 having been rejected by the committee, there is no point in proceeding with the amendment to clause 20.

Clause agreed to.

On clause 22—*Jurisdiction of board.*

Mr. Bell (Carleton): In respect of this clause, would the minister indicate what the provisions are which are covered in lines 19 and 20 by the words "except as provided in the Immigration Act". To what does that refer?

Mr. Marchand: Mr. Chairman, I would have to inquire into this.

Mr. Bell (Carleton): If the minister would make the explanation on clause 1 that would be agreeable to me.

Mr. Herridge: Mr. Chairman, I wish to speak on a question which is related in principle to this clause as it deals with the exclusive jurisdiction of the board and appeals to the Supreme Court of Canada. My question of principle is related to members of this house of the legal profession who deal repeatedly with these problems for their constituents. My attention was first drawn to this situation by being informed that a former Conservative member of the house charged constituents for representations he made on their behalf to the minister, the board or the officials of the department. I was later informed by a couple of my Liberal friends that possibly one or two members on the government side of the house had indulged in this practice.

• (4:10 p.m.)

I remember the hon. member for Danforth, a man of the highest integrity who unfortunately is ill at this time, telling me this story. One of his constituents telephoned him to ask him to make representations to the appropriate authorities in connection with the entry into Canada of a sponsored immigrant. He took the matter up immediately by telephone. The department telephoned him later and said they had looked into the matter and this person was eligible to enter Canada. The hon. member for Danforth informed his constituent of this. His constituent said, "Sir, I am quite willing to pay the usual fee." Which I understand can be up to $500 for this service. Of course the hon. member advised him at once that he would not accept any fee at all.

Mr. Roxburgh: Mr. Chairman, could I ask the hon. gentleman a question? He mentioned two parties. I was wondering whether he knew of any lawyers in any other party who had performed similar acts?

Mr. Herridge: I will come to that later in my remarks, Mr. Chairman. The hon. member can use his imagination. I have discussed this matter with members of all parties. I shall always give great credit to the Leader of the official Opposition for his stand on this question. He informed me that when he was elected to this house he advised all his legal partners that they were on no account to bring any matter to the attention of the federal government or any of its agencies because he had been elected for that purpose and would not charge a cent. While I differ sharply with the hon. gentleman on some questions, I give him great credit for this stand.

As a result of this information and other inquiries I made I introduced a private bill which is now on the order paper, an act to amend the Senate and House of Commons Act in order to prevent this abuse occurring in the future. Mr. Maurice Western commented on my bill in the following manner:

> To impose on members of the Canadian parliament a restraint accepted 300 years ago by the British parliament seems neither radical, nor revolutionary, nor avant-garde.

I do not have the opportunity to discuss that bill now but I shall do so at a later date. I have been concerned about this problem and have engaged in a great deal of correspondence on the matter. Before my bill was drafted I consulted two retired judges of the Supreme Court and got in touch with people in Great Britain and the United States. The bill was actually drafted by persons who are very concerned about this problem. However, Mr. Chairman, I shall have to deal with my bill when it comes before the house.

I want to ask the minister two questions at this point, because it is a matter of importance and principle. Does the minister consider that it is proper for members of parliament who are also members of the legal profession to make representations to him, to the board or to the officials of his department and

charge their constituents for this service? My second question is: Would the minister inform the committee whether the lay members of the house are just as effective in making representations to him and will be as effective in making representations to the board we are proposing, or to the officials of the department, as the members of the legal profession in this house? Those are the questions I should like answered.

Mr. Marchand: Mr. Chairman, I think that if a member of the legal profession makes representations in this house he acts as a member of parliament and should not charge anything for the representations he makes.

Some hon. Members: Hear, hear.

Mr. Marchand: I say that because he is just fulfilling his duty as the representative of his riding.

Mr. Lewis: Or anyone else.

Mr. Marchand: Yes, or anyone else.

Mr. Lewis: Even those outside a member's riding.

Mr. Marchand: Yes. If a member of the legal profession has to do more than that professionally I presume he is entitled to remuneration for it. I think it is normal for a member of parliament to make representations to the department and if somebody charges for so doing I think it is morally wrong.

The hon. member for Kootenay West has asked me whether non-lawyers are as efficient as lawyers. As far as I am concerned I make no difference between the two, and I know non-lawyers who are much more efficient than lawyers.

Some hon. Members: Hear, hear.

Mr. Starr: Mr. Chairman, I listened very intently to what has been said and to the question put to the minister. I think it is most unfair that the record should be left with the remarks made by the hon. member for Kootenay West specifically referring to members of two parties without mentioning anyone else in the house. I think he scrupulously avoided mentioning anyone else, knowing very well that there are others to whom this applies. I also think it reflects upon those who are members of the legal profession if the hon. member does not specifically name these people. If they are not named, a cloud will hang over the heads of all those who are members of parliament and also members of the legal profession. I believe the hon. member should have gone further than he did. Whether or not he did so purposely, what he said will give the public the impression that those engaged in this type of practice exist only in the Liberal and Conservative parties. I do not believe that is right, and it is not true.

Some hon. Members: Hear, hear.

Mr. Roxburgh: Mr. Chairman, that is the very reason I asked the question I did, to which the hon. member for Kootenay West did not reply although he said he would. I am sure everybody in the house agrees with what the hon. member and the minister said. I certainly do. We are all for it. But as the hon. member for Ontario has just said, it is most unfair and is just not right to leave this matter in the air. The hon. member for Kootenay West should name the men he has in mind. If he would like the names of members of other parties, perhaps that information can be supplied to him.

Mr. Starr: Supply it. Let us get the record straight.

Mr. Barnett: Mr. Chairman, I think the opinion expressed by the hon. member for Ontario is well founded. But if I heard the hon. member for Kootenay West aright, he was speaking of members of past parliaments and was not making reference to present members.

Mr. Ricard: Let him give the information.

• (4:20 p.m.)

Mr. Barnett: The hon. member for Kootenay West can speak for himself, of course. I presume that the remarks made by the hon. member for Ontario and the hon. member for Norfolk were intended to indicate that the hon. member for Kootenay West had referred to members of certain other parties and had not referred to members of this party. I understood that the hon. member for Kootenay West was referring to members of past parliaments. It is a simple fact, which can be readily verified, that only very recently have there been members of the legal profession in the party to which I belong. I refer, of course, to members of my party who have become members of parliament. As far as I am concerned I am not claiming any particular virtues in regard to moral behaviour for the party to which I belong. If the remarks of the

hon. member for Kootenay West are considered in that context, which is what I understood—

An hon. Member: Let him speak for himself.

Mr. Barnett: —I think it will be realized that he was merely making a statement in accordance with what I consider to be the unfortunate circumstance that in previous years this party has not been fortunate enough to have elected to the House of Commons people who belong to the legal profession. Those of us who do not belong to that profession are occasionally inclined to make references that its members may not like. Nevertheless most of us recognize that it has in its ranks some of the finest citizens of Canada.

Mr. Herridge: Mr. Chairman, in reply to the questions that were raised by the hon. member for Norfolk and the hon. member for Ontario with regard to members of our party who are members of the legal profession I would say that I do not have any direct evidence at the present time. I forgot to mention that when I was discussing this question two or three years ago I also discussed it with the Minister of Public Works who assured me that his practice was identical with that followed by the Leader of the official Opposition. I am mentioning this now because I overlooked it in speaking previously. I am raising this matter because I think it is one of serious concern. It does concern many Canadians and I have had much correspondence on it. I trust that even this limited debate will prevent any member of the house who is a member of the legal profession charging anyone for representation in the future.

Mr. Starr: Mr. Chairman, I would like to ask the hon. member a question. A moment ago he mentioned that the Leader of the official Opposition had made a rule in this respect and that the same rule had been made by a minister on the government side. Can he say whether the same rule was made by the leader of his party?

Mr. Herridge: I have no knowledge of that, Mr. Chairman. I think the hon. member for Ontario is enjoying himself at the present time.

Mr. Starr: Answer the question.

Mr. Herridge: We have not had any formal caucus ruling on this point. However, the hon. member for Ontario misunderstood me. The Leader of the official Opposition told me that he informed all his law partners at the time he was elected that they were not to deal with any matter within the jurisdiction of the federal government or any agency thereof because he was elected for that purpose and it was his duty to do it without fee. I raised this matter because I hoped it would cause hon. members on all sides of the house to consider it and to make certain that we all comply with what has become a tradition in the mother of parliaments.

Mr. Marchand: Mr. Chairman, may I now answer the hon. member for Carleton? According to the information I have the reference to the Immigration Act in clause 22 is necessary in order to ensure that the functions of the special inquiry officer under the act are not affected.

Clause agreed to.

Clauses 23 to 27 inclusive agreed to.

On clause 28.

Mr. Marchand: Mr. Chairman, there is a new clause which I should like to introduce at this stage. It is numbered clause 28. The reason for introducing this clause is that in clause 30 we have established that an inquiry officer can reopen an inquiry and modify his first judgment. A consequential amendment was therefore necessary. It reads as follows:

That Bill C-220 be amended by renumbering clauses 28 to 33 as clauses 29 to 34, respectively and by adding the following clause immediately after clause 27:

"28. Section 29 of the said Act is repealed and the following substituted therefor:

29. An inquiry may be reopened by a Special Inquiry Officer for the hearing and receiving of any additional evidence or testimony and a Special Inquiry Officer has authority, after hearing such additional evidence or testimony, to confirm, amend or reverse the decision previously rendered."

Mr. Pickersgill: I so move.

Mr. Marchand: If the board has the authority to order this inquiry, then of course the special inquiry officer should have the authority to carry on the inquiry under the conditions which are set down.

Mr. Bell (Carleton): As I understand it, all the amendment does is to strike out the words in the existing section 29: "or by order of the minister or by majority decision of an immigration appeal board". The minister nods his head so I believe the answer is yes.

[*Translation*]

Mr. Grégoire: This concerns another clause, Mr. Chairman.

[*English*]

Amendment (Mr. Pickersgill) agreed to.

Clauses 29 and 30 agreed to.

On clause 31—*Regulations respecting procedure, duties, etc.*

Mr. Bell (Carleton): Mr. Chairman, what is the change here?

Mr. Lewis: To take out the words "and appeals".

Mr. Marchand: The purpose of the clause is to extend the provision of the Immigration Act respecting proof of documents arising out of proceedings under the immigration appeal board.

Mr. Bell (Carleton): I think the minister is on the wrong clause. I believe the hon. member for York South was correct that all this new clause does is to strike out the words "and appeals".

Mr. Lewis: There is a special appeal tribunal which will make the rules and therefore the board no longer keeps the authority to make rules with regard to appeals. I believe that is all the section does.

Clause agreed to.

Clauses 32 to 34 inclusive agreed to.

On clause 1—*Short title.*

Mr. Bell (Carleton): Mr. Chairman, I understand the minister intends to stand this clause. If so, I hope he will not inhibit any of his colleagues, in particular the hon. member for Parkdale who is one of his distinguished supporters, who holds the office of parliamentary secretary to the Minister of Indian Affairs and Northern Development, and who has taken the lead in Montreal today in an attack on this legislation. I hope the minister will feel that the hon. member for Parkdale should have complete freedom of action to open up any of the clauses of the bill in order to try to improve the legislation. It is clear that a considerable number of members on the opposite side are totally dissatisfied with the legislation as it is. I am sure the minister with the flexibility he has shown, will give them ample opportunity to deal with the matter.

• (4:30 p.m.)

Mr. Marchand: We will have to wait to hear what the hon. member for Parkdale has to say.

Mr. Pickersgill: As the senior minister in the house at the present time, notwithstanding the entirely commendable effort of the hon. member for Carleton to suggest there is something appropriate about the procedure we have agreed to adopt and with which I reluctantly agreed, I must say I hope this will never be cited as a precedent. I do not see how our parliamentary system is going to work at all if committees of the house are going to tell the house, or even the committee of the whole, how it should carry on its procedures. Without reflecting in any way upon the committee, because it is sitting and we know we cannot talk about its proceedings, I want to say that I believe all of us agree that parliament is paramount over its own committees. It is not suitable for a committee, no matter how important what it is doing may be, to delay the business of the committee of the whole or of the house. I am not speaking as a member of the government but I am speaking as one of the senior members of this house in point of years if not in point of years of service.

When I say I think the minister was right in accepting the blandishments of the hon. member for Carleton, I would point out also that I do not believe the hon. member for Carleton believes in his heart any more than I do that this is a proper procedure. I think we ought to have it on the record that we do not want this to happen again.

Mr. Bell (Carleton): Is the Acting Prime Minister—

Mr. Pickersgill: No, I am not the Acting Prime Minister.

Mr. Bell (Carleton): Is the Minister of Transport indicating that the hon. member for Parkdale is in the doghouse?

Mr. Pickersgill: No, sir, I am merely suggesting that at times all of us in this house share in doing things and we do not always think of all their implications when we do them. I do not believe I have ever been very sensitive when my conduct has been criticized. I do not believe I have ever hesitated to apologize to the house when I thought I had done anything that was in any way a reflection upon the house. Therefore I do not

believe we should fail to note circumstances that are not good for parliament, regardless of what their origin may be. I have the highest respect for the hon. member for Parkdale as a member of the house and as a member of a group of people who have contributed many of the immigrants to this country who are among our best citizens. I do not think anyone misunderstands the exceptional interest of the hon. member for Parkdale in this measure. However, this does not alter the principle, and it was with the principle only that I was dealing.

Mr. Orlikow: Nobody could disagree with the remarks of the Minister of Transport in respect of the primacy of this house to transact the business of the house. I am speaking as a member of the house who happens to be a member of the joint committee which is dealing with the white paper on immigration. I could not go to Montreal today because of other business. However, I believe the difficulty in which we are has arisen as a result of the lack of co-ordination of the business of the house and the business of the committee.

After all, the members of the special joint committee dealing with the white paper on immigration are from all the parties and they are the members most interested in the question of immigration. I know that in our party my colleague the member for Greenwood and I generally lead any discussion having to do with immigration, and we are on that committee. The same situation applies to members of the official opposition and the government. Some time ago the committee made arrangements to hear members of important national organizations in Montreal.

It is true that the terms of reference of that committee do not cover this bill. They are looking into the white paper on immigration. As I said a few minutes ago, many of the members of the committee are the members who are most interested in the whole question of immigration. For the house to be dealing with an important bill on immigration when the members of the house who are on that committee dealing with another aspect of immigration are absent seems to me to be somewhat ludicrous. I do not question the remarks of the Minister of Transport or the principle he has enunciated—

Mr. McIlraith: I wonder whether the hon. member would permit a question? Having said what he has said, could he explain to the house how it happens that the committee went away knowing this bill was coming before the house and, by coincidence, on the day it was expected it would come before the house?

Mr. Orlikow: Mr. Chairman, the house leader should really ask that question of the chairman of the committee who, of course, is a member of his own party. As an ordinary member of that committee I think I could give him the explanation he would get. The decision to hold the meeting in Toronto last week and in Montreal this week was made a month ago. Arrangements were made to hear important national organizations. These organizations were informed that if they wanted to make representations they could make them in Toronto last week. I am speaking from memory, but I believe the Canadian Chamber of Commerce and a number of other organizations were heard in Toronto. I understand, for example, that the Canadian Jewish Congress made representations in Montreal yesterday. These arrangements were made months ago, so if there is a conflict the conflict is over there.

Mr. McIlraith: Would the hon. member permit another question? Would he mind clearing up for us the proposition he now appears to have in mind, that national organizations making representations to committees of parliament should do so in places other than the capital of the country?

Mr. Orlikow: This was a committee decision, Mr. Chairman. The agricultural committee has been making a tour from Vancouver to Ottawa and the joint committee on consumer affairs has split into two sections for hearings outside Ottawa. This is a decision of which the government approved, I am sure, or these committees would not be travelling. I see the Minister of Transport shaking his head. I do not know how a committee gets the money to pay for its travel if the government does not approve. This is what has happened, and if the government did not approve of these hearings being held outside of Ottawa, as they have been, they would not have been held. I do not think any member of the house would question the Minister of Transport's statement that the business of the house is decided by the House of Commons. It was unfortunate that there was a foul-up in communication between the government house leader and the committees. This is a situation about which we are all sorry.

Mr. Pickersgill: I do not want to quarrel with the hon. gentleman about the particular

instance. I think I was very careful not to talk about particular instances beyond saying that I thought my hon. friend, the Minister of Manpower and Immigration, had been wise to accede to this particular request on this occasion. I was seeking to underline that in acceding on this particular occasion I hoped we would do everything we could to avoid repetition. I know that once something has happened someone will always cite it as a precedent. I was trying to make this look as bad a precedent as any precedent ever was. I do not think, if we ever start acknowledging the primacy of standing or select committees over the primacy of the house and the committee of the whole, that we shall have parliamentary government very much longer. I am old fashioned enough to think that our system of parliamentary government is better than any other system that has yet been devised anywhere, including some countries whose governments in many ways I admire very much.

• (4:40 p.m.)

Mr. Barnett: We all think that way.

Mr. Knowles: I should like to say two brief words. First, I wish to support the procedural position the Minister of Transport has taken. It is a clear rule of this house that our committees can deal only with matters the house refers to them. We are not bound, therefore, to be influenced by *obiter dicta* of committees pronounced on things we did not refer to them. The Minister of Transport is perfectly right in suggesting that this is not the kind of procedure that should be followed in future.

The other thing I wish to say is that the point made by the hon. member for Winnipeg North is one this parliament will have to think about much more—the efficient, useful functioning of our committees. I was glad to hear from the house leader today that the personnel of the standing committee on procedure are to be appointed shortly and that the committee will begin work. He is aware, as I am, of the abortive efforts in the past to arrange for committee meetings when the house is not sitting. We must come to some kind of arrangement of that sort so that the committees may do a proper job on matters we refer to them. I suggest that today's incident illustrates that.

At the risk of being told that I am trying to be on both sides of the fence, let me say that I think this is an unfortunate precedent. We must not follow it. I also think we must look hard at the arrangements we make for our committees. The more this parliament goes on the more the work load piles up for us and the more important it becomes for us to use our committees. Let us use them, not abuse them.

Mr. Bell (Carleton): I agree with the inference to be drawn from the question posed by the Minister of Public Works, but this matter ought to have been raised, I suggest, when the motion for concurrence in the committee's report was before the house.

Mr. Knowles: There probably will not be any such motion.

[*Translation*]

Mr. Grégoire: Mr. Chairman, this is a fine opportunity, I think, to deal precisely with the efficiency of committees, as so appropriately pointed out by the hon. member for Winnipeg North Centre (Mr. Knowles). Committees are not always efficient precisely because they are not given the necessary leeway to become efficient. I would have another example to show that the case confronting us today is not the only one, but happens regularly.

For instance, while the committee on finance, trade and economic affairs was sitting, the debate was going on in the House of Commons on the mini-budget, that was brought forward recently. Thus, the members most interested in financial matters had to attend the committee on finance, trade and economic affairs and, at the same time, they had to sit in the House of Commons, where the mini-budget was being dealt with.

I believe, Mr. Chairman, this is a fine opportunity, since the Minister of Transport (Mr. Pickersgill) and the Minister of Public Works (Mr. McIlraith) know that I have asked for several years, in this house, for a complete reform of everything that concerns the creation of committees, so as to enable them to work more efficiently.

An example: when the committee meets in Montreal to study the white paper on immigration—the minister himself does not have the gift of ubiquity, and even if one credits him with all sorts of talents he cannot be in two places at once—the minister is not present at the meeting in Montreal. In fact, he has to be in the house to pilot another immigration bill.

Therefore, I think it would be useful for the ministers to note that committee work is not always done efficiently, because the rules concerning committees are not designed to allow them to work efficiently and to the full.

I think this example is an excellent illustration of an idea I expressed some years ago, which is that if committee work is to proceed efficiently, committee rules must be reformed to allow them to reach a high level of performance and efficiency.

Mr. Mongrain: Mr. Chairman, although I may seem to be presumptuous in rising to take part in this discussion, I feel we should immediately proceed with the amendment to this bill because it hardly seems proper for the committees to communicate with the house through press and radio. It seems to me that they should normally communicate through reports duly tabled during regular sittings of the house and that this is the proper way officially to inform the house of their decisions.

Second, Mr. Chairman, I am given to understand that this is a kind of pilot bill and that we are experimenting and we will probably be given the opportunity to revise it or to amend it next year. I am also given to understand that there will be, in the near future, a more comprehensive piece of legislation covering the whole immigration field.

In this case, I believe we should not delay, although I understand that the minister has given his consent which indicates considerable goodwill on his part, for his position will be greatly admired. For the reasons I have mentioned, I feel we should proceed immediately.

The Deputy Chairman: Is it the wish of the committee to adjourn discussion on clause 1?

[*English*]

Some hon. Members: Agreed.

Clause stands.

Progress reported.

RESEARCH

PROVISION FOR GRANTS TO CORPORATIONS FOR RESEARCH AND DEVELOPMENT

The house in committee on Bill C-252, to provide general incentives to industry for the expansion of scientific research and development in Canada and to effect certain related amendments to the Income Tax Act—Mr. Drury—Mr. Rinfret in the chair.

On clause 2—*Definitions.*

Mr. Drury: Mr. Chairman, I point out to the committee that long statements have already been made, first at the resolution stage and subsequently on second reading. The bill was referred to the committee on industry, research and energy development and in the course of two very long and productive sessions it was studies *in extenso* and some amendments were made. The legislation we now have before us represents the original bill as amended by the committee and I hope that in its present form it will commend itself to hon. members for expeditious treatment.

• (4:50 p.m.)

Mr. Hales: Mr. Chairman, I appreciate the minister's remarks. As he has said, the committee on industry, research and energy development spent a considerable time on this bill. Although I am a member of that committee I was unfortunately unable to attend the meetings because I am chairman of another committee. There are one or two questions which I should like to ask at this time.

The first is: If a United States subsidiary operating in Canada is given a grant under this legislation is there anything in the bill which would prevent such subsidiary using the money to develop a product which could be made by the head office of the company in the United States and sold in the United States or possibly in some other country? I want to be assured that Canada does not propose to subsidize research by a subsidiary of a United States company with the parent company then proceeding to manufacture the product of that research in the United States. I believe we should insist, if possible, that in cases in which we make a grant for the development of a product that product will be manufactured here in Canada.

I realize we are dealing with a complicated bill and that many of its clauses deal with difficult questions. One of the major problems lies in reaching a good definition of what actually constitutes research. I believe that the benefits proposed by this legislation are already available under section 72 of the Income Tax Act. It seems to me that here we are proposing to make grants available before the research has been done. Under the Income Tax Act allowances made for research are made only after the research has been completed. In this case we are putting the cart before the horse and making grants before we know that the research will be carried out successfully and what results will be forthcoming. For this reason I am not at all sure I agree with the bill in its present form.

Another question comes to mind. Will these grants be made available to government corporations? Will concerns such as Polymer or

Atomic Energy of Canada be eligible for grants under this measure? I should also like to know what is intended in cases which are the reverse of those I outlined a few moments ago. What will happen when a grant is made to a Canadian company which has a subsidiary in the United States? Would the subsidiary of the Canadian company qualify for a grant under this bill?

I think the motive behind this legislation is good. The idea is not new but it is being put forward in a new way. We are proceeding along lines different from those indicated in section 72 of the Income Tax Act. These questions may be answered as we study the bill clause by clause but the minister may wish to make a few general remarks before we leave clause 2 to assure the Canadian taxpayers and the committee that we are putting this money to proper use, that it will be well spent and spent for the purpose for which it is intended.

Personally, I would prefer that these grants be made only after the research and development work has been done. In my view this would be preferable to making a grant and saying: Here is your money, see what you can do with it. Suppose the money is spent without satisfactory results. The project fades away. Is there any provision for the return of whatever was provided by way of a grant?

Mr. Orlikow: Mr. Chairman, I think we all agree that the question of scientific research with which the bill before us purports to deal is one which concerns not only members of the House of Commons but the scientific community and industry as a whole throughout Canada. We are concerned because we know that Canada has been doing so little in this field compared with other modern industrialized countries.

Speaking on this subject about two weeks ago I compared government expeditures in the field of scientific research in Canada with government expenditures of other countries in this area. I pointed out that the United States government was spending approximately 3 per cent of its gross national product on research and development while Canada was spending less than 1 per cent. In his introductory remarks while moving the second reading of the bill the minister confirmed what I said with respect to government expenditures on research and told the house that the same disparity was to be found in expenditures by the private sector. On

Research

December 20 as reported at page 11433 of *Hansard,* the minister said:

> Looking at the structure of our over-all scientific activity we find that industry performed only 36 per cent of the national total as contrasted with 63 per cent for Britain and 74 per cent in the United States. This anomaly in allocation of effort would indicate that insufficient emphasis is being placed on the practical exploitation of science and technology.

A little later he stated:

> It would appear that a target almost three times the current figure is required to bring Canada more nearly into line with comparable industrialized countries. The attainment of this target within a reasonable period of time would require a virtual doubling of the previous long-term growth rate for industrial research and development.

• (5:00 p.m.)

It seems to me, to judge from the speeches the minister has made on this subject, that he has formed an opinion as to the reasons for Canada's backwardness so far as expenditure on research is concerned. The reasons are not hard to find. So far as industry is concerned our present situation has arisen because such a large percentage of Canadian industry is owned by foreign investors, many of them in the United States, who tend, as they have tended in the past, to do their research at their head offices or in research centres outside this country. This is true not only of United States companies but of international concerns such as Shell Oil. It is also caused by the fact that companies and industries in Canada which are not foreign owned tend to be smaller and do not have the necessary financial resources to expand scientific and research development.

Since 1962 we have had a whole series of programs. We have had financial incentives and we have had tax rebates. We have had proposals for direct grants. It seems to me the reason we have had changes almost every year is simply that we have not given the basic and detailed consideration to the problem which is required. Also, we have not evolved a program which will meet our needs. I am not suggesting that such a program can be evolved in one week, one month or one year. What I am suggesting is that it is necessary to consult with the best brains and with those persons who are most highly trained in this field. We need to evolve a program so that in five or ten years' time we will attain the goal we want to attain. It seems to me that we will not achieve this aim if we have changes from year to year. I suggest that if we are to have changes from year to year we will inhibit the desire and the ability of Canadian industries to become involved in research.

Research

In making some notes along this line I came across an article which I presume the minister must have seen. It appeared in yesterday's *Globe and Mail*. The title of the article is "Is Ottawa Helping Or Hindering Development? A Wrench In the Research Machinery". The article goes into detail. I do not intend to read all of it into the record. It is based on an interview with Dr. J. J. Green, director of research for Litton System (Canada) Limited. I should like to read a couple of paragraphs which I think summarize fairly what Dr. Green thinks of this bill. He says:

> The Canadian government appears to be taking away with one hand tax incentives to industry that it has been giving with the other.
>
> Dr. Greene say that Bill C-252, now before the House of Commons, will reduce the tax advantage certain companies gained through research and development in previous years.

The article continues:

> This means that the rewards are only for companies whose yearly expenditures are rising steeply, Dr. Green says. A company doing a fair level of research and development that did not increase in any one year would get nothing.
>
> Dr. Green said in an interview, that schemes to encourage research in industry that have been initiated by the government during the past three or four years have had good response. Despite the encouraging results, the government proposes to change the basis on which these incentives rest.
>
> The courrent interpretation of the proposed regulations is that they will be less favourable than the old regulations to industries that originally expanded their research and development capabilities—the very companies the government was first trying to encourage, Dr. Green says.

I could go on and on but I think the first two paragraphs indicate the fact that here is a research director of a company who feels that industrial research is being inhibited by the changes from year to year so that no company can make long-term plans. The minister and the country have had a great deal of advice about what we ought to do. I have here a report of a speech made by Dr. J. H. Chapman, deputy superintendent of the federal defence research telecommunications establishment, in which he said:

> —the United States has been able to establish an industry of discovery because it has developed close links between the industrial and academic communities.

The articles goes on to say that the United States is calling for a national science policy. This was in May of 1965. The Ontario Research Foundation more than a year ago recommended the sitting up of a series of co-operative institutes to serve various fields of industry under the over-all direction of a crown corporation. They point out the need for high level co-ordination to prevent wasteful duplication of effort among the associations. They propose that the cost of these institutes be split 50-50 between government and industry. They point out that Canada has limited funds to expend on industrial technology and every dollar must count.

The Ontario Research Foundation suggests that the associations themselves should recognize that Canada already has adequate facilities for basic research and should concentrate on meeting the need for ways of applying new knowledge more effectively. At the University of British Columbia they are discussing the setting up of research parks. The *Financial Post* of March 19 reports as follows:

> Although primarily sponsored by the provincial government, the B.C. Research Council has been supported financially by many private corporations which have called upon it to carry out scientific and engineering projects which they were unable to do themselves.

The point I am endeavouring to make is that I believe this bill does not go far enough. The fact that the minister is bringing in another proposal this year, as he did last year and the year before, is an indication that the minister and the government still have not worked out a long-range policy. I suggest to the minister that the government must play a much more important role than it has in the past. It must not only encourage industries to do more research and development than they have in the past but also must work out methods, through financial incentives and tax rebates, to help them do this.

I should like to see the industries do research in co-operation with the National Research Council and other government agencies. Industry should also consult with the universities which finally, after many years, are now beginning to do a great deal more research and a great deal more training in the post-graduate field than they ever have done in the past. I believe the government should try to work out programs under which small businesses and industries can do research. They simply do not have the funds to do it on their own. They should be encouraged to work together in fields of research in which they have common purposes.

What I am trying to say is that there is a need to rationalize the research which is being done by industry and that the government should devise methods, which I do not see in this bill, to bring together individual companies in a particular industry so that they can

all benefit by doing research together. If they benefit, certainly the country as a whole will benefit. When I read this bill and compare it with the study done for the Economic Council in December, 1965, entitled "Program To Encourage Research And Development In Canadian Industry", it seems fairly obvious to me that the general principles worked out in that study have not been adopted by the government and certainly are not included in the provisions of the bill which the minister is proposing today.

Mr. Mackasey: Mr. Chairman, my contribution to this debate will be a very limited one, particularly since the hon. member for Winnipeg North has made most of the points I would have made. As he said, there is not sufficient research being done in Canada, particularly by companies which for the most part are controlled outside the country. I should like to commend the minister for bringing forward Bill No. C-252, because it differs in at least one fundamental aspect from the present legislation. I believe this point was touched on briefly by the hon. member for Wellington South. In the past young firms, particularly those not in a profitable position or not making any real profit after paying taxes, have not benefited from the tax incentive that has been available to other firms doing research. It is quite conceivable that during the years 1962 to 1966 certain companies engaged in research were unable to take advantage of the financial incentives of the government in view of the fact that they were operating at a loss.

I believe that Bill No. C-252, by substituting direct grants for tax rebates, makes it possible for the Minister of Industry to help finance industrial research in those companies which are still in their formative years and are not yet in a position to generate a net profit. I believe that in this particular instance the language in the bill is an improvement. I am sure the minister will wish to elaborate a little further on this subject.

There is, of course, another feature in this bill to which I believe the hon. member for Wellington South referred. I have only had an opportunity to read the bill once and I must admit that I did not attend the hearings of the committee. I understand, however, that the bill is designed to prod big business particularly to accelerate the research it is doing and invest more money in research.

There has been a tendency on the part of big companies to carry on year in and year out at the same fixed rate of investment in research, secure in the knowledge that a good portion of the cost of this research would be borne by the federal government. In the existing regulations there is very little if any incentive, other than the incentive, of course, to discover something of importance, to induce these companies to accelerate or increase their annual expenditure in the field of research. I imagine that this bill may go a long way toward encouraging companies to plan long-range research programs on an accelerated basis and with increased expenditures from year to year so that they make take full advantage of the provisions of this legislation.

• (5:10 p.m.)

Like the hon. member who has just resumed his seat, I have been a member of the food and drug committee for three and a half years. In that committee I have tried to be as objective as possible. It is a very difficult committee for a layman. But I have been made aware, by practically every brief presented to that committee by well established firms and relatively new and smaller firms, of the amount of research that these firms are undertaking and indeed must undertake if, according to their briefs, they are to continue to be vigorous and profitable. In other words, the drug industry claims I think with a certain amount of justification, that their industry perhaps more than any other depends upon the fruits of basic and applied research.

I think this industry can make a very excellent case for the amount of money it spends on an international level. But as I listened to their witnesses and experts and read their briefs I found they made only a very pathetic case for the amount of money they spend in this country on applied and basic research. If time permitted and if that committee was not in the midst of preparing its report to the house, I would discuss this in a little more depth. For instance, I would have pointed out to hon. members the experience in Australia where, because of incentives and inducements by the government of that country, the pharmaceutical industry has become a very vigorous exporter of products made there. By reason of the fact that we are situated so close to the United States I suppose the subsidiaries in this country of such companies have not found it profitable to carry out as much research or manufacturing here as I think they should have done. I can only hope that the Minister of Industry will take note of my remarks and see whether in the future some way cannot be found to make

I hope through incentives and inducements but if necessary through punitive action, these international firms in the pharmaceutical industry, spend a little more of their research dollars right here in Canada.

When they present the balance sheets of their operations in this country they include a very healthy expenditure under the term "research and development." If the Canadian taxpayer is expected to pay for that research and development every time he swallows an aspirin or other pill, I think a little more of the research should be carried out in this country. Some of these industries, particularly in the pharmaceutical field, have been good, corporate Canadian citizens, as the Minister of Trade and Commerce likes to evaluate a company. They hire thousands of employees and spend millions of dollars in this country on wages and materials. But I think they are too prone to depend upon research facilities situated in such countries as Switzerland, the United States, England and Germany.

In this modern world where communications are so sophisticated I do not think there is any reason why research, particularly in the pharmaceutical industry, should not become more diversified and originate in Canada. There are exceptions, of course. I would not want to resume my seat and leave the impression that I have been making a blanket condemnation of the pharmaceutical industry in so far as research is concerned because there are firms such as Ayerst McKenna and Harrison Ltd. which are undertaking research in this country. This firm is carrying out research in the Montreal area for its parent company. I believe there are companies located in Sheridan Park, Toronto, which are increasing their research facilities. I understand that the pharmaceutical industry in Toronto and Montreal in particular is investing more money in research facilities and therefore helping to prevent the brain drain with which we are very familiar.

Nevertheless, Mr. Minister, I am one who is not satisfied with the amount of research carried out in this country by this industry. I have never believed in curing a nose-bleed by cutting off one's head, and I do not believe this is the approach that should be taken with respect to the pharmaceutical industry. I doubt that there is time to discuss the industry in general, but I think it should be made aware of the fact that while we recognize the necessity of international research and realize that in most instances the average Canadian is able to take advantage of the fruits of international research, more research should be carried out in Canada.

• (5:20 p.m.)

We realize also that in most instances the average Canadian is able to take advantage of the fruits of international research by the constant introduction of new medicines and new drugs. Nevertheless we deserve from these firms a greater share of their research dollar, particularly in view of the fact that a respectable amount of money goes out of this country to subsidize and help support international research facilities which exist in Pearl River, in the United States and at Basle, Switzerland.

There is a particular clause in this bill on which I will say a few words. It helps to achieve what I think is a desirable aim, namely, that the pharmaceutical industry, perhaps more than any other industry because it is so research-oriented, should do much more to spend in Canada some of the dollars which Canadian taxpayers pay for its products.

I want to commend the minister for the real increase in the field of research since 1962. I have never had an opportunity to speak in the House of Commons on legislation sponsored by the present Minister of Industry, perhaps because of the fact that for geographical reasons my interests are not centred on the auto pact but on other matters. However, I have been rather impressed by the performance of the minister who, perhaps more than any other minister of the government, has shown a willingness to try out new ideas and approaches. I could mention many of them but the chairman might rule me out of order. One of them is the auto pact which, although controversial, was an attempt to introduce a new approach to a vexing problem. Although it has resulted in much labour unrest and disruption it has also resulted in a significant sum of money, $200 million, accruing to this country. I am rather pleased that research should fall into the orbit of the Minister of Industry who, ever since I have been here, has shown no reluctance to try out new ways and means. This should be the new spirit in Canada because, after all, we are an extremely young nation.

I would have liked to spend a little time talking about the "brain drain", as we like to call it.

I should also like to commend to hon. members an article in today's *Globe and Mail*

entitled "New Grants For University Research" because I think the program is ancillary to the present bill. The article refers to a new basic approach by the National Research Council and it is a very encouraging ancillary measure in respect of the bill before us. In other words, it seems that through the National Research Council grants will be made available for university research.

As the hon. member for Winnipeg North said, this has been an area in which action has been woefully lacking. The percentage of our gross national product devoted to basic and applied research in no way compares with that of countries like the United States and Australia, but I think that we are at least moving in the right direction. I read in the *Financial Post* that at present the rate of acceleration is such that by 1970-71 we will have reached the desirable goal set by the Economic Council and will be in line with other affluent nations.

In this connection I commend to the attention of hon. members a paper written by Roger Gaudry, rector of the University of Montreal, concerning the brain drain. I think it is an important paper because it erases some of the misconceptions under which many of us have laboured about the well known fact that so many of our well trained scientists and researchers leave Canada to go to the United States. According to Dr. Gaudry, based on information that he has acquired from Washington, from the Department of Labour here in Ottawa and from other available statistics, from 1956 to 1961 Canada lost to the United States an average of 212 scientists and 1,028 engineers per year, making a total average of 1,240 trained personnel. Expressed as a ratio of the 1959 output of science and engineering graduates, Canada lost on the average 12.5 per cent of its output of scientists and—this is staggering—48 per cent of its output of engineers.

However, to my surprise, and perhaps to the surprise of Dr. Gaudry, because of immigration from Europe we have actually ended up with an over-all gain. According to recent figures that have been made available to me by the research division of the Department of Labour many Canadian trained personnel are now coming back to Canada. However, Dr. Gaudry made the very valid point that this is no reason to feel complacent. We should not be complacent about the fact that we are training university students who leave Canada to go to the United States, simply because we offset this loss by replacing them with new Canadians. This type of compensation is bound to dry up as opportunities for work arise in the countries from which these people come and as their governments emphasize the necessity of keeping their professional people at home.

However, Dr. Gaudry made another valid point, namely, that the only way in which Canada can remain prosperous, in spite of the fact that it is situated next to an industrial giant, is to have something a little different to sell. We cannot succeed on the basis of price alone. We must have something uniquely Canadian to sell in the field of industry, and the best way to ensure that our products are wanted throughout the world and to make certain that our exports increase from year to year is to increase our support of industrial research so that we can come up with products that are really Canadian and not facsimiles of something developed in the United States or Great Britain.

I am sure that because of the abundance of our national resources there are particular areas to which our research should be directed. Our patent system will have a lot to do with it, and I would take a dim view of anyone who would want to destroy that system.

I agree with previous speakers that perhaps this bill is not the end to all our problems in the field of research, but I think it is a very helpful step forward because it forces the large companies not only to maintain their present research facilities but to spend more money from year to year thus accelerating their efforts. Second, through the medium of this bill some financial compensation will now be made available to those firms which, for taxation reasons, in previous years were unable to take advantage of the tax incentives.

I once again ask the Minister of Industry to take note of my remarks, and I also hope that the pharmaceutical industry will do so. While I commend it for what it has already done in the field of research I hope it will continue and increase its efforts. I have received a note from the other side of the house which says, "Sit down, you are holding up the bill." On the strength of that premise I will sit down in the hope that we will proceed with the committee stage.

Clause agreed to.

Research

On clause 3—*Scientific research and development grant authorized.*

• (5:30 p.m.)

Mr. Hales: This clause deals with whether or not the grants given are likely to result in benefits to Canada. Does the minister feel that this wording gives proper protection to the Canadian taxpayer who will be putting up these grants? In referring to the minister the clause reads in part as follows:

—and such other information as the minister considers relevant, is satisfied that the expenditure was made in respect of scientific research and development that is likely to result in benefit to Canada if it is successful.

Here we have ministerial discretion. He decides whether the expenditure is going to result in benefit to Canada. The hon. member for Verdun referred to pharmaceutical companies. Suppose one of these companies receives a grant to develop a certain kind of drug. Suppose the Canadian branch of the company develops the drug but it is then decided that it would be cheaper to manufacture it in the United States.

What about a situation where we have free trade? Suppose General Motors of Oshawa received a grant to do some scientific research. Having developed the research to a point where it was successful, it could decide to manufacture the product in the United States and ship it back into Canada duty free. Does the minister not feel that this provision is too wide and that there should be some reference to the fact that products resulting from the grants must be manufactured in Canada?

Mr. Drury: Mr. Chairman, this subject was discussed at some length in the committee. I am sorry the hon. member for Wellington South did not have the opportunity of being there. The object of this bill is to encourage industrial research in Canada in the expectation and hope it will improve Canadian industrial technology and consequently raise the standard of living. We specify in the bill that in order to qualify for a grant the applicant must have carried out research in Canada. The grants are payable only in retrospect, that is, after the research has been carried out and some auditing has been done of the quantum of research. In addition, before the grant is paid there will be insistence vis-à-vis the grantee that the grantee is free to exploit the outcome of the research, if it is successful, in Canada.

[Mr. Mackasey.]

I do not believe one can have a bill such as this, designed to encourage research, and state in advance in relation to a program that may take five years to bring to fruition that whatever the result of this research may be it will be exploited exclusively in Canada or that if a product is the outcome it will be manufactured in Canada. It may be uneconomic to manufacture in Canada by reason of the scale of production, technological difficulties, lack of proper machinery and so on. This would mean that one would be discouraging or closing off the advancement of a number of avenues for research in Canada which may otherwise be attractive. Consequently you would be doing what the hon. member for Winnipeg North mentioned, taking away with one hand what you are giving with another.

We make provision in the bill for the assurance that the grantee is not inhibited by law, by corporate agreement or by corporate policy from exploiting the results of the research in Canada. Indeed, if he is free to do so and it is economic to exploit the research in Canada, it is obviously in his interests to exploit it in Canada. We expect this to follow as a consequence. If it is uneconomic to exploit the research in Canada, it does not make any general sense to insist that uneconomic things be done in this country merely for the sake of having them done in the country.

Mr. Hales: I agree with the minister that the provision of grants for research in Canada would help prevent the drain of research people from our country. However, I feel that the grants provision should dovetail with a provision that the product resulting from the research should be manufactured in Canada. Does the minister deny that General Motors could conduct research in one of its Canadian plants, produce a product, and then manufacture it in the United States and ship it back to Canada duty free? Does the minister agree this could actually happen?

Mr. Drury: Perhaps I should make a distinction between research and development. Since the hon. member is talking about research, I might refer him to page 401 of the evidence of the standing committee on industry, research and energy development. There is an indication there that the definition of research adopted by the O.E.C.D. will be the general basis of the definition of research which we will employ in Canada in deciding what research would qualify for grants.

There is a second stage of exploiting research, namely, the development of products

or processes. In respect of this part of the operation the federal government provides another program called the program for the advancement of industrial technology in Canada. This particular program is related to the production of specific products and financial assistance or incentives are provided only to the manufacturer who manufactures in Canada. If a manufacturer wishes to develop a product, assistance will be available if he agrees to manufacture in Canada.

• (5:40 p.m.)

Going back to a previous suggestion; to make a good deal of research does not lead to any precise or identifiable product, it is difficult, therefore, to say in advance, we will assist you in doing research provided you undertake in advance to manufacture in Canada any of the products arising from this research. Let me take an instance analogous to the one mentioned by my hon. friend. Let us say that Canadian General Electric out of its research operations developed an engine which it would manufacture in the United States and bring back to Canada. If as a consequence of research in Canada by Canadian General Electric in the field of gas turbine engines it became possible to manufacture very large gas turbine engines more successfully and more cheaply than had hitherto been the case, it would not make much economic sense to insist that Canadian General Electric manufacture these engines in Canada rather than elsewhere because we have not the capacity, the technology nor the market to sustain the production of very large gas turbine engines.

If Canadian General Electric knew in advance that the outcome of all the research it did would be available only and exclusively for exploitation in Canada this would, as I think the hon. member would agree, inhibit it from doing a great deal of research it might otherwise be prepared to do in this country. It would prefer not to have the restrictions and inhibitions of the Canadian environment. It would be better if it could do research work, which it would be free to exploit anywhere, in the United States rather than Canada.

Mr. Orlikow: I want to deal precisely with the question of research and where that research is done. The minister has made a valid point when he says it might not be practical to insist that the product developed in Canada as a result of this type of research program must be produced in Canada. It may be, as the minister says, that the scale of sales in Canada would be too small. There might not be a market. If the product were produced in the United States under licence there would be a market and the venture would be profitable.

In our group we are concerned about the principle that grants or tax concessions made by the government to companies for research be only for research done in Canada. In clause 3, subclause 1, line 33 of the original bill it was spelled out that the expenditure should be in Canada. I do not know what discussion there was in the committee but in the amended bill we are considering the words "in Canada" have been taken out.

Mr. Drury: Might I answer the question? The hon. gentleman referred to clause 2—

Mr. Orlikow: No.

Mr. Drury: Subclause 3(c) of clause 2?

Mr. Orlikow: No.

Mr. Drury: This is the clause defining expenditures which qualify, and the words "in Canada" appear in line 27.

Mr. Orlikow: Mr. Chairman, I am rising at the request of my colleague, the hon. member for Waterloo South, who was on the committee and attended the meetings. He is not satisfied that the bill makes crystal clear that the research must be done in Canada. He has asked me to move an amendment. I move:

That subclause (1) of clause 3 be amended by inserting therein in line 33 immediately after the word "expenditures" the words "in Canada".

It may be, as the minister says, that this is covered in other clauses but my colleague feels that this matter should be spelled out clearly in this subclause. The purpose of the amendment is to make clear that the research the government supports is research done in Canada. The amendment restores the words which were in the clause when the bill was before us on first reading.

Mr. Drury: I suggest that this amendment does no harm but it is redundant and repetitive and quite unnecessary. Clause 3(1) refers to "expenditures on scientific research and development in a fiscal period." There is no geographic connotation in that clause. If the hon. member will refer to clause 2 (3) (c) he will see the definition of expenditures qualifying for scientific research and development. It is made quite clear that reference in this

bill to expenditures on or for scientific research and development includes only expenditures incurred for and wholly attributable to the prosecution of or the provision of facilities for the prosecution of scientific research and development in Canada. Whenever in the bill there is reference to expenditures for scientific research and development, those references mean only research carried on in Canada. To repeat "expenditures on scientific research and development in Canada" in the following clause is quite unnecessary. I have asked the officials of the Department of Justice about this and they would prefer not to clutter the statute with redundancies.

Mr. Barnett: I am puzzled about the point the minister has been making in regard to the wording of subclause 1 of clause 3. Some of the clauses in the reprinted bill, as reported by the standing committee, differ from the original bill. The explanatory note in the reprinted version says that the amendments made by the committee are marked with a line. In the light of what the minister has said I wonder how the change in subclause 1 was made? That subclause is not marked as having been dealt with in the standing committee. Was this correction made by the minister or by the law officers? How did this change come about? How did the deletion of the words "in Canada" take place?

Mr. Drury: If the hon. gentlemen will refer to the minutes of the committee proceedings he will see the discussion on this point and the adoption by the committee of this particular amendment. I suggest that perhaps the printers have failed to sideline subclause 1. That is the only omission.

Mr. Hales: I think we would be agreeable if the minister could assure the committee that grants will not be given for research done outside Canada. Does this wording assure the committee that no grants will be made for research outside Canada?

• (5:50 p.m.)

Mr. Drury: I can give an unequivocal assurance that no grants will be made in respect of research carried on outside Canada. There is one qualification, and this is an area which may be in doubt. The point was raised in the committee. It concerns research carried out on the high seas. It is unlikely that any transaction will take place or that any expenditures would be made on the high seas, but it might be said that expenditures incurred in a Canadian ship on the high seas would not be expenditures incurred on research in Canada within the strict reading of that phrase. But I can give an assurance hat no grants will be made in respect of research carried on in any other national territory.

Mr. Orlikow: In the light of the assurance given by the minister I am prepared to withdraw my amendment.

Mr. Barnett: With particular reference to clause 3, subclause 2 I should like an assurance from the minister on a particular point. I refer to the proviso that no expenditure shall qualify unless the minister is satisfied that the scientific research and development in respect of which the expenditure is made is likely to result in benefit to Canada if it is successful. Will this cover research for purposes likely to improve the welfare of the community as a whole or will the research be restricted solely to increased productivity in the material field? For example, does this "benefit to Canada" phrase cover applications which have to do with research in the field of control and elimination of air pollution, water pollution and soil pollution? I mention these three fields specifically because, as the minister will probably recall, an amendment was made to the Income Tax Act to provide for incentives to corporations to undertake expenditure on water pollution control. But no provision was made for similar incentives to deal with air pollution and soil pollution. Is the phrase "benefit to Canada" broad enough to include this ancillary research which might not be regarded by industry as increasing the volume of goods produced?

Mr. Drury: Research work in order to qualify. need not be related to a particular commercial product or process. Indeed, by definition research frequently cannot be so related. If the hon. member will refer to O.E.C.D. definition of research he will see that the kind of research to which he has referred would qualify for a grant.

Mr. Hales: When a grant is made, who decides whether it is likely to result in benefit to Canada?

Mr. Drury: As the hon. gentleman can read here, it is the minister. In practice the Department of Industry will lay down certain rules to determine benefit, the most important of which will be that the company undertaking the research and applying for the grant shall be free to exploit in Canada the results or the fruits of their particular research.

Mr. Hales: I will not move an amendment to this clause but I wish to raise most strenuous objection to it on the ground, first, that there is too much ministerial discretion written into it. I think this is the sloppiest drafting we have seen in any act and I feel also that there is nothing here to cover the point I raised previously. We are making research grants to Canadian companies or to United States subsidiaries in Canada to develop products which may not be made in Canada. I still believe we should stipulate that grants should be made only in cases where the product would be manufactured here in Canada. Despite what the minister has said I still think there are enough firms in Canada able to make use of all the research money available and which would be ready to meet this condition. As I say, I wish to record my objection to this clause though I do not propose to hold up the passage of the bill.

Clause agreed to.

On clause 4—*Amount of grant.*

Mr. Orlikow: I had intended to move the same kind of amendment to clause 4, subclauses 1 and 2, to restore the words "in Canada" which were in the original draft of the bill. If the minister would give the same assurance as he gave earlier that the research referred to in these subclauses must be carried out in Canada I would be perfectly willing to forgo moving the amendment.

Mr. Drury: I can give that assurance, Mr. Chairman.

Mr. Orlikow: I am sorry. I misplaced one of my notes. I wanted to add a new subclause to clause 4. I do not intend to make a long speech about it. I should like to move the following amendment:

That clause 4 be amended by adding thereto a new subsection (5) as follows:

(5) Where the research is done for or on behalf of the applicant by an approved association, university, college, research institute or other similar institution, the phrase "25 per cent" where it appears in subsections (1) and (2) shall be read as "50 per cent".

• (6:00 p.m.)

I think the purpose of this bill is quite clear. As I indicated in my remarks on clause 2, the feeling of our group is that because of the organization of industry in this country and the number of branch plants in important sections of our economy we are not likely to get from industries the kind of research all of us would like to have. Therefore, in order that small industries may be able to participate and do their share we propose that they be encouraged to do so by subcontracting research they cannot do themselves to one of the institutions I have mentioned, a research institute, a university and so on. This is the purpose of the amendment.

The Chairman: Order. It being six o'clock and in order that the house may proceed to private members' business I do now leave the chair.

THE ROYAL ASSENT

Mr. Speaker: I have the honour to inform the house that I have received the following communication:

Ottawa, February 23, 1967

Sir,

I have the honour to inform you that the Honourable Robert Taschereau, P.C., Chief Justice of Canada, acting as Deputy to His Excellency the Governor General, will proceed to the Senate chamber today, the 23rd February, at 6.45 p.m., for the purpose of giving the royal assent to certain bills.

I have the honour to be,
sir,
Your obedient servant,
A. G. Cherrier,
Assistant Secretary to the Governor General.

PROCEEDINGS ON ADJOURNMENT MOTION

SUBJECT MATTER OF QUESTIONS TO BE DEBATED

Mr. Speaker: Pursuant to provisional standing order 39A it is my duty to inform the house that the questions to be considered at the adjournment tonight are as follows: The hon. member for Greenwood (Mr. Brewin), External Affairs—Portugal—reported intention to exile political prisoners; the hon. member for Roberval (Mr. Gauthier),—Canadian Broadcasting Corporation—Program entitled "Tirez au clair"—Protest against the actions of the director; the hon. member for Cape Breton North and Victoria (Mr. Muir), Canadian National Railways—North Sydney, N.S.—Possible discontinuance of express and freight operations.

CRIMINAL CODE

AMENDMENT RESPECTING DESTRUCTION OF RECORDS

Mr. Jim McNulty (Lincoln) moved that the subject matter of Bill No. C-192, to amend the Criminal Code (Destruction of Criminal Records) be referred to the standing committee on justice and legal affairs.

Motion agreed to.

Motions for Papers

• (6:10 p.m.)

Mr. Speaker: Order. It being six o'clock the house will now proceed to the consideration of private members' business as listed on today's order paper, namely, notices of motions, papers; private bills and public bills.

Mr. McNulty: Mr. Speaker, by consent may we stand notices of motions Nos. 145, 137, 128 and 200 and take notice of motion No. 201?

Mr. Speaker: Is this agreed?

Some hon. Members: Agreed.

MOTIONS FOR PAPERS

GEOGRAPHICAL CO-ORDINATES RESPECTING BASE LINES

The house resumed, from Thursday, February 9, consideration of the motion of Mr. Barnett:

That an humble address be presented to His Excellency praying that he will cause to be laid before this house a copy of all notes and other communications exchanged between Canada and the United States of America since the enactment by parliament on July 16, 1964, of the Territorial Sea and Fishing Zones Act having to do with the issuance by the Governor in Council of one or more lists of geographical co-ordinates of points from which base lines may be determined in accordance with the provisions of the act.

Mr. Frank Howard (Skeena): Mr. Speaker, the subject matter of this motion is one that has held the attention of members from coastal constituencies and others for some years now, and in fact interest in our territorial sea predates by many years the enactment of the Territorial Sea and Fishing Zones Act. The motion before us seeks to have certain papers tabled and made public, namely, documents, letters, etc., exchange between the Canadian government and the government of the United States with regard to Canada taking action through the governor in council under law of this parliament to establish geographical co-ordinates from which straight base lines would be drawn and from which would be measured our territorial sea and our fishing zones.

I realize that on a motion such as this we are normally confined to discussing the possibility and necessity or otherwise of tabling the documents and it is not a motion dealing with the substance of the matter at all. But in this instance I think to reason for the production of the documents one must touch upon the subject matter and relate some historical events in so far as the subject matter is concerned. This was recognized by

[Mr. McNulty.]

the Secretary of State for External Affairs (Mr. Martin) and Mr. Speaker on the last day this motion was debated. The Secretary of State for External Affairs said in part, as reported on page 12860 of *Hansard* for February 9 last:

However, I understand the interest of the two hon. gentlemen and other members of this house in the substance of the proposition, and therefore I have not raised a point of order.

This means that the Secretary of State for External Affairs, knowledgeable as he is about the intimate workings of parliament, realized the necessity of discussing the substance of this matter. When I say that Mr. Speaker at least, condoned that approach I mean he did so by not intervening and by recognizing the overriding importance of being able to look at the substance of the question in order to reason whether the documents should be produced. This is what I hope to do this evening.

My colleague the hon. member for Comox-Alberni (Mr. Barnett), as a member from British Columbia and one who is very interested in this and many other fishing matters, gave a very laudable and commendable outline of the subject in his opening remarks. The hon. member pointed out very clearly the degree to which the government has been negligent in this matter in not carrying out the responsibilities which parliament gave it. I should like to quote further the remarks of the Secretary of State for External Affairs because I think they reveal an attitude which should not have as much scope and force in the determinations of government as it has. As reported at page 12860 of *Hansard* the minister said:

I do understand, however, the impatience of hon. gentlemen.

The Secretary of State for External Affairs was referring to impatience over the delay in the governor in council proclaiming the geographical co-ordinates. He said:

I share that impatience, and so does the Minister of Fisheries (Mr. Robichaud) who has toiled arduously during the past two and a half years in an effort to implement the full provisions of the bill.

I do not have the Territorial Sea and Fishing Zones Act before me but in it the responsibility is given to the governor in council to proclaim either in whole or in part the geographical co-ordinates for Canada. We wonder why there has been such arduous toil for two and a half years in order to implement these geographical co-ordinates. What are the difficulties? I can understand that

there might be some difficulties when a number of other countries have historic fishing rights and make claim to the right to fish within the 12-mile limit, whether it be one that follows the convolutions of the coast or a straight line. I can understand the difficulties when there are a number of nations making this claim, because this is the case on the Atlantic coast. I can understand those difficulties when there is a desire by the government of Canada to have those nations phase out their historic fishing rights so that after a certain period of time they will no longer have the right to fish within the 12-mile zone.

In respect of the Atlantic coast there may be an argument for such protraction because there are a number of countries concerned in this question, some of whom have treaty fishing rights. That matter was dealt with at length by my hon. friend from Comox-Alberni before the committee and in this house on a previous occasion. Portugal, France, Spain, Denmark and other countries, I believe, claim these historic fishing rights.

My concern here is with the substance of this matter in so far as the Pacific coast is concerned. On the Pacific coast only one country claims to have historic fishing rights within the 12-mile limit and the area about which the Fisheries Association, the United Fishermen and Allied Workers Union and everybody in the fishing industry in British Columbia has a unanimous opinion. Queen Charlotte Sound, Hecate Strait and Dixon Entrance fall within the area they claim should be inside the straight base lines. Only one country, the United States, claims historic fishing rights within this area.

The United States' claims have been recognized because the Prime Minister (Mr. Pearson), at the meeting in Hyannis Port with the late President Kennedy to which the Secretary of State for External Affairs referred in his remarks of February 9, guaranteed to President Kennedy that he need have no fear about the historic fishing rights of the United States within the area which would be encompassed by our 12-mile fishing zone. The Prime Minister said we would recognize those rights. This information was given to the Senate, to the house and to the committee on marine and fisheries which was then considering the territorial sea and fishing zones bill. This information was given to us on a number of occasions by the Secretary of State for External Affairs and the Minister of Fisheries (Mr. Robichaud). These ministers said that Canada would recognize that historic fishery, namely, the bottom fishery of United States fishermen in the area which would be within the 12-mile fishing zone as contemplated.

This being the case, and there being no indication that the government intended to ask the United States to phase out its fishing operation in that area off the Pacific coast—in other words, we would recognize in perpetuity their historic right—what is the subject of negotiations with the United States in this respect? The only thing which can be the subject of negotiations is the location of the geographical co-ordinates. The responsibility for setting those geographical co-ordinates has been given to the governor in council, but we are presumably negotiating the location of the straight base lines and the geographical co-ordinates with the United States of America. I submit it is none of the blessed business of the United States of America where those straight base lines and geographical co-ordinates are drawn. It is a determination that Canada, as a sovereign state unto itself, should make.

When the Territorial Sea and Fishing Zones Act was progressing through the house there were great declarations that Canada would be firm and resolute and would make a unilateral declaration and decision on this matter. It was said that it was commendable for a country such as Canada to be able to make this sort of declaration in the face of world conditions at that time, a time before the United States decided to take action with respect to the 12-mile limit and a time of conflict between Iceland and Great Britain on the subject of fishing zones and the territorial sea.

In the light of those firm determinations and expressions by the government, we cannot help but wonder what is the purpose of the negotiations. I think that without even seeing the correspondence we must come to the conclusion that the United States government wants these geographic co-ordinates and straight base lines to be as close as possible to the mainland of the west coast of Canada, as opposed to the position which the government took before the marine and fisheries committee, namely, that the geographical co-ordinates would be as far seaward as possible. In other words, it was said that the geographical co-ordinates would follow the brief presented to the committee by the Fisheries Association.

The brief of that association had in it a map or chart of the west coast and the Atlantic coast. The chart of the west coast indicated that the geographical co-ordinates and the straight base lines would proceed from a

point on the international boundary in Juan de Fuca Strait, off the west coast of Vancouver Island, in a direct line from the northwestern tip of Vancouver Island near Cape Scott, or the outermost island off Cape Scott, thence to the southwestern tip of the Queen Charlotte Islands close to Cape St. James, thence along the west coast of the Queen Charlotte Islands to Langara or North Island and up to the international boundary which runs between British Columbia and Alaska. The Canadian government endorsed the position taken in the brief of the Fisheries Association. These geographical co-ordinates represented the hope of everyone involved in the fishing industry in British Columbia. It was the expectation of members of the committee that these geographical co-ordinates would be implemented.

• (6:20 p.m.)

We were told that there was no intention of asking the United States to phase out the historic fishery in that area. It was only intended to make the United States subject to our various fishery regulations, and what could be more reasonable than that? If we are only negotiating with the United States the application of Canadian fishery regulations to foreign fishing vessels operating inside our territorial sea and fishing zones, then I submit this should not be the subject of negotiations. If that is so, then what is being negotiated? Obviously what is being discussed is how far toward our coast the United States authorities can drive our own base lines. I submit that what the United States wants to do, for military or pseudo-military reasons or just to satisfy its massive ego, is to have as much of Queen Charlotte Sound, Hecate Strait and Dixon Entrance as possible, an area which I thought was Canadian territory dating as far back as 1903 when a British tribunal made the decision regarding the boundary between British Columbia and Alaska.

I suggest that what the United States wants to do is to have as much as possible of what we now consider to be Canadian waters, even though we have no base lines drawn to enclose them, declared as international waters and outside of our fishery zone. I hope that the government is not negotiating away the concept and understanding which we have had on the west coast for many years about what are considered to be Canadian waters. It seems to me that the only prospect in sight is an adulteration or dilution of the position which the government took so firmly before the fisheries committee when the Territorial Sea and Fishing Zones Act was being considered. We attempted in that committee to spell out the geographic co-ordinates on the west coast and to have the base lines follow the position agreed to by everyone in the fishing industry in British Columbia, namely, to include those waters I have just mentioned, Hecate Strait, Dixon Entrance and Queen Charlotte Sound. However, we relented in the committee on the basis of the understanding given by responsible ministers of the crown that there would be no delay in proclaiming the geographic co-ordinates.

The Secretary of State for External Affairs said unequivocally, without hesitation and in clear language—I must say that is a remarkable distinction for him—that the geographic co-ordinates would be declared before the end of 1964. With that understanding members of the committee accepted the government's word and relented. Subsequently we have found that for the last two and a half or three years there has been a continuous exchange of proposals. Two or three times the Secretary of State for External Affairs or the Minister of Fisheries, whichever one happened to deal with the subject at the time, said that they were awaiting the reaction of the United States government to proposals made by the Canadian government. It is preposterous that such a situation should arise, that when the parliament of Canada has given to the governor in council authority to declare geographic co-ordinates and the governor in council has agreed to make proposals about where those co-ordinates should be the government should be making proposals to a foreign country about what we should do within our own territory. In other words, we are permitting the United States of America to decide where those geographic co-ordinates are going to be and what will be the fishing zones and the territorial sea of Canada on the west coast. The Secretary of State for External Affairs said with respect to this matter—

The Acting Speaker (Mr. Rinfret): Order, please. I regret very much that I must interrupt the hon. member for Skeena as his time has expired. Does he have the consent of hon. members to continue beyond his allotted time?

Some hon. Members: Agreed.

Mr. Howard: I do not desire to do so particularly because there is so much to say about this subject that I could very easily be

bemoaning the delay and procrastination when His Excellency's messenger knocks at the door. However, so as not to trespass upon the good grace of the house I will end with a quotation dealing with the relationship between Canada and the United States. The Secretary of State for External Affairs said the following, as recorded on page 12861 of *Hansard*:

> I believe that we should hear from the United States within the course of the next few days. When this reply reaches us we will have a better appreciation of when we can begin to establish co-ordinates and straight base lines, and when we may take other steps to further the objective we have in mind.

In other words, the minister said that everything rests upon the United States. This has been the answer we have received every time questions have been put to cabinet ministers. Time after time we have been told that all we have to do is to wait for the United States to reply to us, wait for them to tell us what they want, wait for them to agree or disagree with something we have proposed, and then we will know what to do. This is what the Secretary of State for External Affairs said just two weeks ago. It is a regrettable state of affairs when we allow a foreign country, which we have already agreed will have a perpetual right to fish within our fishing zones, to proceed to decide where our geographic co-ordinates will be. I would have thought this would be something that our government would be proud to do in its own sovereign way and declare for the benefit of all Canadians without having to report to the United States government and ask that government to decide what the Canadian government will do.

Mr. Richard Cashin (Parliamentary Secretary to Minister of Fisheries): Mr. Speaker, I have had an opportunity to listen to the remarks of the hon. members for Comox-Alberni (Mr. Barnett) and Skeena (Mr. Howard). The hon. member for Skeena pointed out to us that the Secretary of State for External Affairs (Mr. Martin) recognized the particular interest of certain hon. members in discussing the subject matter of the 12-mile limit. However, at the same time the Secretary of State for External Affairs pointed out quite clearly to the house that the issue before us at this time is not whether the government has made progress in these negotiations but whether the house should be given the documents which have been exchanged between the government of Canada and other governments. While I well recognize the concern and the impatience of the hon. member in this matter, I think it must be clearly understood that the course of action which is advocated in this motion is one that would be most irresponsible and in fact would not be in keeping with the custom so far as such documents are concerned.

• (6:30 p.m.)

On the first day this matter was discussed, February 9, the minister cited a number of cases which pointed out the absolute necessity of the government not making public the documents in question. To do so, without consulting the other countries involved, would be an irresponsible act and, in fact, would serve no useful purpose. Before dealing with the motion before the house at this time, namely whether or not these documents should be produced, I want to reiterate that ample evidence has already been introduced by the Secretary of State for External Affairs (Mr. Martin), and supported in a very reasonable speech by the hon. member for Queens (Mr. MacLean), that this would be an unjustifiable course of action.

I should like to refer to a remark made by the hon. member for Comox-Alberni (Mr. Barnett) as recorded on page 12856 of *Hansard*:

> While there may be times when I would readily agree that the kind of documents asked for in this motion could be properly considered as privileged and it might not be in the public interest to table them in the house, nevertheless I feel that under the particular set of circumstances prevailing in this case the general rule has in effect ceased to apply.

The hon. member and his colleagues have failed this afternoon to produce one iota of evidence to support in a technical or legal way the reasoning behind that statement. They have pointed out that there was impatience as a result of the fact that the ultimate question has not been resolved. I would not want to say this until I have had an opportunity of rereading the remarks of the hon. member for Skeena (Mr. Howard), but I think he might have been a little unfair to the minister when he said he was impatient. In my opinion, impatience is a state of mind, which I think is legitimate and understandable, when one is confronted with a difficult or complex situation. Then, I think one is apt to experience impatience. However, if one has that experience that does not mean the impatience is the result of procrastination or undue delay.

I should like to point out to the house that, notwithstanding the vital interest of the two members in question as well as my own interest and concern in this matter, I think they are being somewhat unrealistic. The hon. member for Skeena has said, if I recall correctly, that it was difficult for him to understand the situation. I find it difficult myself, having regard for the intellect and knowledge of the hon. member for Skeena, to comprehend the difficulties which he is having. I feel it should be apparent to him, perhaps more so than to many other members because of his experience in the house and his knowledge of this field, that when a country is engaged in international negotiations, by their very nature those negotiations are more intricate and more sensitive than any other negotiations that may take place within the country itself.

I think many of us have experienced impatience with things on the domestic scene; yet we know that government, in dealing with domestic problems, has a variety of matters to take into consideration such as legal claims or alleged legal claims or the interests of various groups. There is often a period of time between the date when the government decides on a particular course of action and the date when the desirable end is achieved. If these difficulties are experienced in the domestic field, then I think that is ample prima facie evidence that generally when one is engaged in international negotiations there is more involved. It may well be that in most cases such negotiations are more difficult and the desirable end is more difficult to achieve.

I should like to point out further to both hon. members that since 1964 when the legislation to which they have referred was introduced, we have, as a country, made progress in dealing with this matter. The hon. gentleman has talked at great length about the area that he represents. He made no mention in his speech of the effect that the legislation has had to date on foreign fleets. I am referring specifically to the operations of the Russians on the Atlantic coast, with which I am more familiar than I am with the Pacific coast.

Progress has been made, too, with regard to the Norwegian sealing operation in the Gulf of St. Lawrence. In the two and a half years which have passed since the introduction of this legislation, there have been other developments which, while they might not appear at this time to be of great consequence, are of such an order as to suggest to me that they are of significance. I refer to the action which the United States has taken with regard to this problem, something which they did not seem either anxious or willing to do a few years ago.

There is one other matter I should like to mention while dealing with the over-all problem. I believe the hon. member for Skeena is off the point when he suggests that this is a matter of a foreign country dictating to another country the extent to which that country may exercise its jurisdiction. I remind the hon. member again that in the field of international relations Canada has certain responsibilities with regard to the International Court. I should like to think that the successful solution of this problem will be one that will stand the test of international law.

Again I say that all of us, particularly those of us who represent coastal regions, are very anxious that at the earliest possible date as much progress as is possible should be made. At the same time, while expressing this understandable impatience, we ought to keep what is involved in a proper perspective. I do feel the hon. member for Skeena is somewhat over-simplifying the problem. Again I say that while the hon. member who introduced this motion may have wished to express his views on the merits of the question, nevertheless he could not have been acting in a completely responsible manner because if the motion were to carry I suggest we would tend to jeopardize rather than assist the negotiatoins in which our constituents have such a great interest.

In view of the precedents cited by the minister, I believe all hon. members will recognize that it would be an unwise and irresponsible course of action to adopt this motion. I feel we have no course but to defeat it, and in so defeating it I think we will be rendering more assistance to the cause of achieving a desirable solution to this problem than if we were to carry the motion.

• (6:40 p.m.)

Mr. B. S. Mackasey (Paliamentary Secretary to Minister of Labour): Mr. Speaker, I am always impressed by the eloquence of the hon. member for Skeena (Mr. Howard) who can speak on labour, northern affairs, Indian affairs and the problems of fishing rights with equal facility. I do not say that sarcastically. I commend the hon. member. I can only commend to new members of the house that they take advantage of the private members hour to the same extent that the hon. member for Skeena through the years has taken

advantage of it, that they speak as he speaks, and develop that eloquence which I envy.

Mr. Barnett: Flattery will get you nowhere.

Mr. Mackasey: I am sure, Mr. Speaker, that you were mesmerized by the hon. members' eloquence. Your Honour permitted the debate to centre around the 12-mile limit and the treaty—why the treaty has not been finalized and why co-ordinates have not been established—rather than on the issue of whether certain documents exchanged between the United States and Canada should be made available to members of the house. I suspect Your Honour was indulgent because there has not been enough opportunity to discuss this important piece of legislation in the last year or so.

Coming from the city of Verdun, I confess that my interest is not as devoted or developed as is the interest of the hon. member for Skeena. If I were to take a point 12 miles from my home area I might wind up somewhere in the next county.

Periodically the problem arises in this house as to the desirability of producing certain papers. There is a lack of clear definition of what is a privileged document and what is not. The process of having members of the house decide whether a document is or is not privileged by majority is not democratic, it seems to me. A forward step we ought to take would be to devise definite rules to guide members of the House of Commons as to what documents are or are not privileged. To decide whether documents should be made public by the process of one party out voting the other parties, is undemocratic, I suspect. If we look at it closely, I suspect we shall see that this further restricts the freedom of the average member in the house. I know the hon. member for Carleton (Mr. Bell) shares my viewpoint.

As I have said before, we can only go by precedent in deciding whether a document is privileged. There are no guide lines. This matter ought to concern the special committee that will look into procedural reform. Other countries have specific norms to follow, and it is time we had some rule of thumb to decide these matters other than a straight majority of the house, or a vote.

In England there is a tendency to consider all documents privileged. With few exceptions, in England they consider all documents privileged. Hon. members interested in doing a little research in the library will find that in England privileged documents cover almost all documents issued by the government. They include for instance transactions between the government and private contractors. As an observer of the English scene it seems to me that the concept of privilege over there restricts the basic rights of the average member of parliament. The rights of the average citizen are indirectly infringed upon. At the other extreme we have the situation in Sweden.

The time has come, I think, for a special committee of the house objectively to look at the question of documents. That committee could investigate the English and Swedish systems, to see which one is better suited to our parliamentary system.

In passing may I say that our committees have given backbenchers an opportunity to take an active part in affairs. The committees system has removed much of the frustration which might otherwise ensue. One effect of the committees, it seems to me, has been to curtail the importance and prestige of the House of Commons. In the final analysis the House of Commons protects us against an undemocratic system of government. We must find ways and means of best using the committee system and at the same time restoring and maintaining the image of the House of Commons. A committee ought to settle this question about documents, and make some recommendations. Those problems ought to be decided objectively, and the minority parties not constantly penalized for their lack of members. However, I do not say that that is the situation here.

I expect most hon. members know about the Swedish system in which, contrary to the English system, with a few exceptions, all documents are considered public. In the main cities of Sweden the government has set up reading rooms in city halls and libraries, where many documents considered privileged in Canada, and certainly in England, are available to the public. It is not uncommon to see in the evening, or on a Saturday morning, political science students, newspapermen, interested senior citizens and others poring over those documents in reading rooms scattered throughout Sweden. Every person can be familiar with the every day workings of his government or parliament. This does much to alleviate the burden on an ombudsman in a country where this enlightened official operates.

The solution to our difficulties in Canada must lie, I think, in a happy medium. In a

country such as ours, where the press in unbridled, there are occasions when, if documents were made available weekly or daily, too much might be read into them, particularly by people who are subjective and not objective.

• (6:50 p.m.)

I know this would not be the case in this instance. I am sure that is these documents were made available to the hon. member for Skeena and his partner they would be put to very objective use—the hon. members are really interested in finding out why it should take so much time to finalize a piece of legislation which is highly desirable to the fishing industry of this country.

I must not be tempted to enter upon a discussion as to the desirability of a 12-mile limit and the desirability of a speedy settlement with the United States. I must stick to the issue before us, which is whether or not these documents exchanged between the Canadian government and the United States are to be considered as privileged. I will admit I have no means of knowing whether or not they are privileged. I must take the word of the Secretary of State for External Affairs (Mr. Martin) for that. Luckily, my hon. friend has such a wonderful reputation in all parts of the house that I am sure all hon. members will accept such an assurance from him without question.

My impression is that the hon. members who raised this matter were interested not so much in the production of these papers as they were in the opportunity to discuss this whole subject at length, in an effort to ascertain why a solution to this vexing problem has not so far been reached.

Mr. Barnett: Would the hon. member for Verdun permit a question? He has just referred to the Secretary of State for External Affairs in glowing terms and of course he sits considerably closer to that hon. gentleman than I do. Perhaps he could tell us whether the minister has heard from the United States on this subject matter as he suggested when he spoke on February 9. He said, then, that he expected to do so within the next few days.

Mr. Mackasey: The hon. member is an extremely experienced politician. He knows that I am only a babe in the woods in that sphere of activity. But even I know better than to speculate on whether or not the Secretary of State for External Affairs did have the meetings to which he referred on February 9. If the minister said that such a meeting would take place, I am sure he did so with the best of intentions.

The hon. member who asked this question might not be as close to the minister as I am but he has sat in this house for a considerable time and he knows that my hon. friend has a great reputation for conciseness and veracity, and if he made such a statement I am sure the hon. member for Comox-Alberni would be the last to question it.

I do know that the hon. member for Comox-Alberni, with the basic honesty which usually permeates everything he says in this house, began his own comments on this subject, as reported at page 12858 of *Hansard*, by saying that in normal circumstances the papers to which he is referring would have to be considered privileged. Then he went on to say that because of abnormal and particular circumstances—I am paraphrasing his words—an exception should be made in this case.

Obviously the hon. member admits that in normal circumstances these papers are privileged. As I listened to the hon. member for Skeena (Mr. Howard) I failed to find anything in his eloquent remarks which persuaded me that there was anything extraordinary about this particular situation which would make the tabling of these papers desirable.

The question before us is not whether the co-ordinates should have been determined three months, six months or a year ago. This is a complex matter, as the former minister of fisheries rightly pointed out during his participation in the debate not long ago. The real question is whether or not these papers are privileged. I can only repeat that in the opinion of the Secretary of State for External Affairs they are privileged documents. They embody correspondence between the governments of two countries and I am afraid that even in the most ideal of circumstances the Secretary of State for External Affairs would have to obtain permission from the United States before there could be any question of tabling them.

I believe both members of the New Democratic Party have done service to the house by emphasizing once again the lack of guidance from which the house suffers when approaching such problems. I repeat my desire that you in your wisdom, Mr. Speaker, might recommend to the appropriate authorities that at the first opportunity in the next session a special committee be set up to go into the whole question of the production of papers, so that we might have guide lines as

to what should be considered privileged and what should not.

Mr. Speaker: Before I call it seven o'clock, and in view of the fact that a message will be coming shortly from another place, I might perhaps underline the principle to which the hon. member for Skeena has referred. When we have before the house a motion for the production of papers the one thing upon which the debate should be based in the feasibility or otherwise of producing these documents. A great deal of latitude has been allowed in this connection because of the special circumstances to which the hon. member for Skeena has referred—circumstances which were mentioned also by the Secretary of State for External Affairs. But I would remind hon. members that the principle is still there, that we should not stray from it, and the fact that much of this debate has taken place on the substance of the motion rather than on the feasibility of producing the documents in question should not be considered as a precedent for the future.

THE ROYAL ASSENT

A message was delivered by Major C. R. Lamoureux, Gentleman Usher of the Black Rod, as follows:

Mr. Speaker, the Right Honourable the Deputy Governor General desires the immediate attendance of this honourable house in the chamber of the honourable the Senate.

Accordingly, Mr. Speaker with the house went up to the Senate chamber.

• (7:00 p.m.)

And being returned:

Mr. Speaker informed the house that the Deputy Governor General had been pleased to give, in Her Majesty's name, the royal assent to the following bills:

An Act respecting employer and employee relations in the Public Service of Canada.
An Act respecting employment in the Public Service of Canada.

Mr. Speaker: The house will now resume the business interrupted at six o'clock.

RESEARCH

PROVISION FOR GRANTS TO CORPORATIONS FOR RESEARCH AND DEVELOPMENT

The house resumed consideration in committee of Bill No. C-252, to provide general incentives to industry for the expansion of scientific research and development in Canada and to effect certain related amendments to the Income Tax Act—Mr. Drury—Mr. Rinfret in the chair.

The Deputy Chairman: Order. House again in committee of the whole to consider Bill C-252. It being after seven o'clock, the sitting will be suspended until eight o'clock.

Mr. Pennell: Mr. Chairman, I would suggest that we take the full hour and return at 8.15.

Some hon. Members: Hear, hear.

The Deputy Chairman: Is it agreed?

Some hon. Members: Agreed.

The Deputy Chairman: The sitting will be suspended until 8.15.

SITTING SUSPENDED

SITTING RESUMED

The committee resumed at 8.15 p.m.

The Chairman: Before the committee suspended its sitting at six o'clock it was discussing clause 4 of the bill to which the hon. member for Winnipeg North moved the following amendment:

That clause 4 be amended by adding thereto a new subsection (5), as follows:
(5) Where the research is done for or on behalf of the applicant by an approved association, university, college, research institute or other similar institution, the phrase "25 per cent" where it appears in subsections (1) and (2) shall be read as "50 per cent".

Mr. Drury: Mr. Chairman, I commend the efforts of the hon. member for Winnipeg North in trying to get more research done by research associations, in universities and in similar institutions. However, perhaps there are some objections to the technique that he has proposed to bring this about. I might say in the first place that federal government support for research in universities and other non-profit organizations is provided through a number of channels other than this bill. Perhaps the best known one is the National Research Council, and in this connection I will refer the hon. gentleman to the current issue of the *Globe and Mail* which, at page 25, attempts to summarize the past performance and anticipates the vastly increased performance of the N.R.C. in this matter of support for universities, and a new technique which they are proposing to adopt to achieve this. I think that as a means of

providing for increased research efforts in these non-profit organizations such as universities or research institutes the other channels or vehicles are more satisfactory than this bill.

• (8:20 p.m.)

Second, the Department of Industry has recently inaugurated a new program which is called, support of industrial research institutes. We are now starting in two universities, as an initial step, to organize non-profit research institutes which will encourage and engage in self-sustaining research with industry, with a view both to bringing the industrial community closer to the university in the research field and of providing a focus for having research done with facilities which, as the hon. gentleman pointed out, small businesses cannot afford.

It would be the hope that by meeting some elements of the administrative costs of these new institutes there could be a considerable increase in industrial research done by universities in universities, with facilities of a calibre which small businesses themselves could not afford. I think probably this is a better approach than the one suggested in this amendment.

Finally, Mr. Chairman, I do think that there would be a danger, were this amendment adopted, that large corporations now engaged in research on their own account with their own facilities, would quite obviously quickly organize this same research under an institute of some description and thereby double the federal grant without changing the quantum or nature of the research at all. I do not believe one would want to encourage this kind of manoeuvre.

Then, Mr. Chairman, I have some doubt myself about whether the amendment, proposing as it does to increase substantially the charge on the exchequer, raising it to 50 per cent of the expenditures from the proposed 25 per cent, is in order.

Mr. Orlikow: I will not make any comment on the last suggestion of the minister. The Chair will, of course, have to decide whether or not my amendment is in order.

With reference to the earlier comments of the minister, however, I should like to say it is not my thought or that of my colleague, the hon. member for Waterloo South, who could not be here today but who drafted the substance of this amendment, that this amendment could be the only method the government would use to encourage industry, small and large, to place research in the various universities. I am happy to have the report of the minister on the steps that have been taken to this end. I have said, as have many others much more competent and knowledgeable than I am, that research, both basic and applied in government, in universities and in private industry, is woefully inadequate.

I suggest to the minister that if my amendment is in order, then it is one more tool which the government can use to encourage industry to aid more research. I do not accept the minister's suggestion that industry could use this method to set up some kind of institute which would do the research an industry has been doing, just because the industry could get increased grants or tax concessions. As I understand it, no university will work with an industry in research if the industry requires that the results of the research shall be the property of the industry.

I am told for example that International Nickel has a very fine program of post-graduate research fellowships under which there is written into the details of the agreement that any discoveries which are made as a result of the research done by these research fellows shall not be the property of the company, but shall accrue to the university. I do not believe therefore that factor is an important one. Unless you rule that my amendment is not in order, Mr. Chairman, I suggest to the minister that what my colleague the hon. member for Waterloo South has drafted will be one more useful tool for the government to help scientific research.

Mr. Kindt: I should like to ask the minister one or two questions. In so far as scientific research is concerned, I should like him to indicate whether he is thinking of fundamental research or applied research. There is a vast difference between these two. I am very much of the opinion that in so far as industry in this country is concerned, applied research is the most important—that is, taking the end product of scientific research and applying it to industry. The minister is laughing, but I want him to explain this.

Mr. Drury: I am very sorry the hon. member for Macleod was not in the house before the dinner hour when this question was examined. I refer him to page 401 of the evidence of the committee, to which I referred before, for the definition of research. I will not take the time to read it again.

Mr. Kindt: Can the minister tell me where on this page that is explained?

Mr. Drury: Page 401, line 7, beginning with the words: "That is correct. The current definition of the O.E.C.D. is ..." and continuing for the balance of the page.

Mr. Kindt: Let me ask the minister this: Will he elaborate briefly on the (b) clause which says applied research is work undertaken for the advancement of scientific knowledge with a specific practical application in view. Now, is the thought to have all scientific research oriented to later application or will it be fundamental research pushing back the frontiers of knowledge. I think that is covered in paragraph (a).

To what extent are you going to place the emphasis on each type of research? Is it going to be left entirely to industry to come along and take the end products of research, as has been the case over the years, or has the minister in mind making research applicable to industry? Will it be left to industrialists to take the end products of research and apply them to industry, as is done now?

• (8:30 p.m.)

Mr. Drury: The purpose of the bill is to allow the greatest freedom possible to corporations to increase their research activities, whether in the field of fundamental research, applied research, or development, as defined on the page to which we refer. The decision as to emphasis, direction and quantum will remain entirely with the applicant for a grant, the corporation doing the research, without direction from the government.

The Chairman: Is the committee ready for the question?

Mr. Bell (Carleton): Mr. Chairman, did not the Minister of Industry raise a point of order?

The Chairman: I do not know whether the Minister of Industry a few minutes ago raised a point of order, but I was under the impression that he mentioned that there were financial implications in the amendment. Having read the resolution preceding the bill I now read from Beauchesne's fourth edition, citation 250, subclause 3, beginning half way down the paragraph:

> The constitutional principle which vests in the Crown the sole responsibility of incurring national expenditure forbids an increase by the Commons of a sum demanded on behalf of the Crown for the service of the state. This principle, however, is apparently disregarded when the recommendation of the Crown is given to a resolution empowering the expenditure of public money which, framed in general terms, places no limitation on the amount of expenditure to be authorized by the resolution.

I shall also read subparagraph (4):

> (4) The fundamental terms of a money resolution submitted to the House with the Governor General's recommendation upon which a Committee of the Whole is set up cannot be amended. Amendments will only be in order if they fall within the terms of the resolution. The procedure in committee on those resolutions follows in principle the procedure of the Committee of Supply, and amendments are out of order if they are proposed with a view to substituting an alternative scheme to that proposed with the royal recommendation.

Citation 251, subclause 1, reads as follows:

> It may happen that the resolution sanctions some expenditure without fixing the maximum amount to be spent. If, for instance, the resolution recommends that adequate salaries be paid a newly constituted body and the amounts of the salaries are fixed in the bill based on that resolution, the committee on the bill has the right to increase those amounts, because, in doing so, it does not go beyond the scope of the royal recommendation.

It is the opinion of the Chair that the amendment proposed by the hon. member for Winnipeg North, from the financial point of view, does not go beyond the scope of the resolution.

Is the committee ready for the question?

Amendment (Mr. Orlikow) negatived: yeas, 22; nays, 27.

The Chairman: I declare the amendment lost.

Clause agreed to.

Clauses 5 to 11 agreed to.

On clause 12—*Minister may obtain and give advice.*

Mr. Barnett: I wish to ask the minister one or two questions on clause 12. So far as I can discover this clause did not receive detailed attention in committee. It has to do with the minister seeking advice from different quarters. The only department specifically mentioned is, under paragraph (b), the Department of Trade and Commerce, from which advice may be sought for a specific purpose.

As I understand subclause (a), it gives the minister power to seek advice whether any specific activity constitutes scientific research and development. I presume that research and development will have to come within the meaning of the definition the minister gave earlier. He spoke of standards, and of what constituted research, and said that the standing committee had outlined these matters. The minister also spoke about these matters for the benefit of the hon. member for Macleod.

My question is this: Why is the minister limited to the Department of Trade and Commerce in seeking advice whether research and development from any activity is likely to result and be of benefit to Canada? My question in part arises from a question I asked before the dinner recess. Advice whether research into the fields of air, water and soil pollution are likely to be of benefit to Canada is not, I suggest, obtainable particularly from the Department of Trade and Commerce. Usually when questions about pollution arise in the house, the Minister of Energy, Mines and Resources answers. That minister has said that he is prepared to answer questions with respect to water pollution. Recently he suggested that matters dealing with air pollution lie within the purview of the Minister of National Health and Welfare.

Mr. Grafftey: Where is the question?

Mr. Barnett: Really, my question is on this point: Why is this advice, whether research is likely to result in benefit, limited to that obtainable from the Department of Trade and Commerce? Would the minister not consider the advisability of expanding this provision, so that other departments might be mentioned? Other departments have particular interests in questions as to whether certain fields of research can be to the benefit of Canada. What is the minister's reaction to this suggestion?

• (8:40 p.m.)

Mr. Drury: I think the observation just made is a very useful one. The drafting of 12 (b) indicates clearly the significance which would be given to the phrase "of benefit to Canada". The test which was to be applied and which had to be satisfied was that the corporations engaging in research would be free from any kind of external inhibition against exploiting the research in Canada, whether this be an economic law of another jurisdiction outside Canada, whether it be an agreement between the company doing research in Canada and some foreign company outside Canada, or whether it be a matter of corporate policy in a parent-subsidiary relationship. It was felt that the best source of this information would be the Department of Trade and Commerce.

Paragraphs (a), (b) and (c) do not limit the minister in his search for advice to those particular departments. The object of the provision is rather to place an obligation upon those departments to provide advice. They do not limit the minister to those particular sources for the information he may require. If a question should arise as to whether pollution research of a particular nature is likely to be beneficial, there is nothing here to inhibit the seeking of advice from the Department of National Health and Welfare, the Department of Energy, Mines and Resources or, indeed, from any other department.

Mr. Barnett: Having heard that explanation from the minister I will not press my suggestion that the clause be amended. Perhaps we might serve notice on him that we shall expect him to seek that advice at appropriate times, and perhaps on some other occasion we may be suggesting to the other ministers whom he has named that they should proffer advice to the Minister of Industry from time to time.

Mr. Lewis: I had intended to raise another question in relation to clause 12. When I originally read it I could not understand why it was there at all. It seemed obvious that one department of government has the duty as well as the right to consult other departments of government. Then I read clause 13 and thought that perhaps those who had drafted the bill had put in clause 12 to make it possible for employees to obtain information in a way which might otherwise not be permitted, and that clause 12 was there to make sense of clause 13. Otherwise I do not see why it should be provided in legislation that the minister may obtain advice from one department or another. Surely, that is understood, and there is no need for legislation to permit him to do so.

Then I read the following clause and it occurred to me that perhaps it was the content of clause 13 which gave those who had drafted this bill reason for inserting clause 12. If this is the case I suggest to the minister that his answer to the question asked by my hon. friend from Comox-Alberni is not adequate. If the minister removes any inhibition about obtaining the information he requires from the departments mentioned in clause 12 he obviously does not remove it with regard to any department which is not mentioned in clause 12. Therefore there is, obviously, sense in what the hon. member for Comox-Alberni said, namely that there are other ministries in possession of advice of value to the minister with regard to whether a particular piece of research is of benefit to Canada, and should not those other ministries also be mentioned

in order that the exculpatory clause, if I may use a technical word, clause 13, would apply to those ministries as well as to those mentioned?

If I understand the clauses correctly and if there is this relationship between clauses 12 and 13 the minister might well consider whether he ought not to amend clause 12.

Mr. Drury: I thank the hon. member for providing that exposition. He is correct in his analysis but I think he has gone slightly awry in his conclusion.

Mr. Lewis: It is better to be half right than not right at all.

Mr. Drury: It is better than being half pregnant, as they say. The kind of information which is being talked about in clauses 11 and 12 is information which comes under the heading generally of privileged information—it is privileged in relation to income tax matters or commercial security or commercial privacy. The kind of information which one would seek from the Minister of Energy, Mines and Resources in relation, say, to the usefulness of work on pollution would be more in the public domain than would be the information we have in mind here—corporate agreements, income tax returns and that kind of thing. While I do not endorse the adjective "exculpatory", it does impose a special regime on this special type of information and enables it to be transmitted between those concerned without destroying the privilege.

Mr. Barnett: I would be interested to know what the minister has in mind with respect to the use of the recently established Science Council of Canada to influence the general approach to be taken under this bill. Will the council be called upon for advice with regard to the direction to be followed as a result of this legislation?

Mr. Drury: This is not a bill to launch a government-directed program of research. This is an incentive offered by the government in a purely objective way to encourage a substantial increase in industrial research in Canada. The initiative with respect to the type, amount and location of the research is left entirely to the applicant for a grant. It will not be directed.

As far as the Science Council is concerned, one would hope it would make known to those corporations within its sphere of influence the advantages of the incentives offered by this bill and perhaps suggest to corporations that they should operate to take advantage of these incentives.

• (8:50 p.m.)

It is neither the purpose of the bill nor the function of the Department of Industry to indicate to individual corporations the kind of research they should or should not be engaged in as a consequence of this statute.

Mr. Barnett: If I understand the minister correctly, he is suggesting that the flow of information would be from the Science Council to industries and that the industries then would approach the government under the terms of this bill for the appropriate assistance which it provides.

Mr. Howe (Wellington-Huron): Mr. Chairman, may I ask a further question in connection with subclause (b) of clause 12, where it is stated that the minister may obtain the advice of the Minister of Trade and Commerce. A great many firms are engaged in research into and manufacture of fertilizer, insecticides and so on. Would the Department of Agriculture not be the department which would be contacted when inquiries are required concerning matters of this nature? They have their own research facilities and would know more about this than would the Department of Trade and Commerce. I am wondering also whether fertilizer and insecticide companies, or others engaged in these operations, would be eligible for grants under this legislation. Would they not come under the definition "aiding industrial research"?

Mr. Drury: There are several parts to the hon. member's question. First, corporations engaged in the research and production of insecticides, fertilizers and other aids to agriculture would qualify for these incentives. Second, I can assure members of the committee that the Minister of Industry will seek advice wherever it can be best obtained. There is nothing in this clause which inhibits or deters the minister from seeking advice wherever it can be best obtained. As the hon. member for York South pointed out, there were special reasons for naming these departments, and they relate to clause 13. In response to the third question, certainly the advice of the Department of Agriculture would be sought when questions arise in respect of which this department has a particular expertise which is of interest.

Mr. Herridge: Mr. Chairman, I have just a couple of questions on this clause. In

Kootenay West COMINCO is very interested in research related to the pollution of the Columbia river. There also is an interest in research with regard to the pollution of another river near Kimberley in the riding represented by the hon. member for Kootenay East. If they could prove they were doing something for the general advantage of Canada, would they under this legislation be entitled to a grant for this type of research. Also in my constituency we have a few farm corporations. In some circumstances they have extensive holdings and are doing certain research in respect of fish farming, fur farming on their properties and the provision of humane traps in respect of trapping operations on these properties. If a farm corporation could prove that the work they are undertaking is to the general advantage of the people of Canada, would they come under the terms of this bill?

Mr. Drury: In so far as the Twin River research on pollution is concerned, the answer is yes. The kind of work COMINCO is doing would qualify. In so far as the incorporated farmers are concerned, it may be a little more complicated. There might be some difficulty in deciding what is research and what is production for profit. I would not attempt to say that one biological process would qualify for a research grant and that another biological process would not. I hope we will have people who understand these things sufficiently to say whether the particular operation or particular things being gone will qualify under this definition of research. In this regard it will not be the Minister of Industry alone who will decide. He will seek the advice both of hon. members and the various departments of government which have special knowledge in this field.

Mr. Hales: With regard to clause 12(b) the minister stated he would feel free to consult with any department or agency of government. Why then is it necessary to include in clause 12(b) the words "obtain the advice of the Department of Trade and Commerce on whether any particular scientific research and development is likely to result in benefit to Canada"? Why would the Department of Trade and Commerce be the only department that would be asked to say whether it is of benefit to Canada? I am wondering why the words should not be "obtain the advice of any department". Would the minister see fit to change that?

[Mr. Herridge.]

Mr. Drury: As I explained earlier, clauses 11, 12 and 13 really should be read together. The hon. member for Wellington South will note that under clause 13 the information which is obtained as a consequence of being provided under 11 or 12 is privileged. The type of information particularly obtainable from the Department of Trade and Commerce relates to corporate arrangements of an economic character between subsidiaries in Canada and parents abroad, or vice versa. The Department of Trade and Commerce, as I believe the hon. gentleman knows, is charged with administration of guide lines. As a consequence of this, that department is the repository of, and has received from corporations doing business in Canada, a considerable amount of confidential information.

The Department of Trade and Commerce receives this information on the ground that it will not be published. The purpose of clause 12 is to authorize the Department of Trade and Commerce to disclose this privileged information to the Minister of Industry in order that he may be able to make a determination concerning the appropriateness of a grant under this legislation. Clause 13 makes quite clear that such information received by the Minister of Industry is in itself privileged.

Clauses agreed to.

Clauses 13 and 14 agreed to.

On clause 15—*Offences.*

Mr. Lewis: Mr. Chairman, I have had no experience in criminal law even in respect of the smallest offence. I wonder whether the minister would tell me who decides whether an offence of the type referred to in subclause (1) (a) is an indictable offence? It is not often that one sees a provision in which it says that if you commit a certain offence you are guilty either of an indictable offence subject to certain consequences or you are guilty of an offence liable to summary conviction in certain circumstances. What is the criterion for making that decision, and who will make it?

• (9:00 p.m.)

Mr. Drury: Mr. Chairman, I suppose I should appeal to my colleague, the Solicitor General, who is here. All I can say is that clause 15 represents the gestation of the Department of Justice, for which I must accept responsibility but plead inability to explain it.

Mr. Lewis: It is either a gestation or an abortion.

Mr. Bell (Carleton): Mr. Chairman, would the minister indicate why there is in subclause 3 the time limitation of five years. Were it not for this subclause, what would be the time limit?

Mr. Drury: I am sorry, Mr. Chairman, but I cannot answer that question either. I do not know what the normal rule is. I have rather automatically assumed that this is one of the standard provisions that is written into the penal clauses of every statute.

Mr. Lewis: Is it not six months?

Mr. Bell (Carleton): I think that in the case of a summary conviction the period is a year, but I confess that like my hon. friend from York South I have not been in the criminal courts for a goodly number of years.

Mr. Drury: Perhaps I may take advice on this matter, Mr. Chairman.

Mr. Pennell: Mr. Chairman, I cannot speak with authority on this matter, but reaching back to my experience in the criminal courts I suggest that in the interests of the accused there should be some limitation in respect of the period during which he may be faced with a charge. In the wisdom of the law officers, five years appeared to be an appropriate time after which one could not be charged with an offence.

Mr. Bell (Carleton): Perhaps someone in the other place will look at this clause.

Clause agreed to.

On clause 16—*Application of Act.*

Mr. Pascoe: Mr. Chairman, I would like some information from the minister on clause 16. The explanation with regard to this clause probably follows his remarks in connection with clause 12. In the brief presented yesterday to the members of the cabinet by the Canadian Federation of Agriculture—the minister may have been at that meeting —there is the suggestion of a deduction from the farmer of one tenth of one per cent of the final wheat board price for one year, to be used for research into the problems of production, and particularly the utilization of grain. This would include research into new foodstuffs that could be made from grain. Clause 16 provides for the application of the act and says:

> This act is applicable to expenditures on scientific research and development—

I emphasize the word "development"

> —in any fiscal period of a corporation ending in the calendar year 1966 or any subsequent calendar year.

The Canadian Federation of Agriculture stressed that the proposed research would be important for western Canada, which means it would also be very important for all of Canada. I should like to ask the minister whether such a research project would be considered to be within the provisions of this act?

Mr. Drury: I am not sure precisely what is proposed, but I think I can say that research and development of new uses of cereal grain or new products made from cereal grain, that is, made by an incorporated company, should qualify for these grants. This is the type of new venture that the bill is designed to encourage.

Mr. Pascoe: This brief says:

> The fund should be administered by a board of western farm organization representatives.

Would they be considered to be a corporation?

Mr. Drury: It would depend on how a board of western farm organization representatives organized themselves. A group of farmers is clearly not a corporation. But with the aid of a good lawyer like the hon. member for York South they could incorporate themselves.

Clause agreed to.

Clauses 17 to 19 inclusive agreed to.

Clause 1 agreed to.

Title agreed to.

Bill reported.

Mr. Deputy Speaker: When shall the said bill be read a third time?

Some hon. Members: By leave, now.

Mr. Deputy Speaker: By leave, now?

Some hon. Members: Agreed.

Mr. Drury moved the third reading of the bill.

Motion agreed to and bill read the third time and passed.

Public Service

PUBLIC SERVICE

AMENDMENT OF VARIOUS ACTS RESPECTING SALARIES OF OFFICIALS

Hon. E. J. Benson (Minister of National Revenue and President of the Treasury Board) moved the second reading of Bill No. C-266, to provide for the revision of certain salaries fixed by statute.

He said: Mr. Speaker, the bill before us is, I think, largely self-explanatory. Its principal purpose is to bring up to date the salaries of certain officers whose remuneration is fixed by statute and cannot be changed except by legislative action. The last occasion on which the salaries in question were changed was in December, 1963, when a special enactment, chapter 41 of the Statutes of Canada 1963, was approved by parliament, covering much the same group of officials as those with whom this present bill is concerned.

The bill now before the house incorporates also one new principle, applicable to some but not all the officers whose salaries will be adjusted by this statute. It seeks the authority of parliament to enable the governor in council to make future salary adjustments of most of the officers covered by this legislation without the requirement of returning to parliament to seek further legislative amendments. Exceptions are made in the case of three officials who bear a special relationship to parliament, the Auditor General, the Chief Electoral Officer and the Representation Commissioner. In these three cases the special relationship which exists between these three officers and parliament suggests that changes in their rate of remuneration should continue to be made only with the express legislative authority of parliament.

• **(9:10 p.m.)**

In all other cases, however, except that of the Commissioner General for Canadian government participation in Expo '67—which post will disappear at the end of the World Fair or shortly after—there would appear to be justification for asking for a release from the requirement that the executive must come back to parliament and seek legislative amendments, either through an omnibus bill or through a whole series of separate amendments, every time a salary increase appears to be justified.

I trust that hon. members on all sides of the house will agree with the government's proposals for expediting the salary treatment of the officials covered by the bill. The fact that their rates of remuneration have remained frozen since December 1, 1963 and that they can be changed only as a result of legislative action by parliament, now long overdue, indicates the nature of the problem. With the legislative work-load that has faced parliament in recent years, and is likely to continue into the future, there would appear to be little justification for adding to parliament's agenda unnecessarily through bills such as these whose sole purpose is to authorize a periodic increase in the salaries of certain officers of boards, commissions, etc.

Further, it is not fair to the officers concerned, in the view of the government, to ask them to accept the long delays in salary adjustments that arise from the existing legislative requirement, especially in times like the present ones when outside salaries are moving upward with abnormal rapidity, and all other public servants, including all deputy ministers and many other members of commissions, boards, etc. can have their salaries kept current and reasonably up to date by executive action.

Members will wish to know the basis on which the proposed increases have been recommended. When deputy ministers', and other order in council salaries were adjusted last to bring them up to date from December 1, 1963 to December 1, 1965, an increase of 8 per cent was determined as the basis for most of those adjustments. The same percentage has been adopted in most of the cases covered by the legislation. Exceptions to the general rule have been made in a number of cases, notably the Auditor General, the vice chairman of the National Energy Board, and the first vice chairman of the Tariff Board, in recognition of the fact that their existing rates of pay do not reflect adequately the measure of their duties and/or the special responsibilities which they are carrying.

In the case of the Auditor General, the amount of increase has also been set in recognition of the fact that any future salary adjustments in his case will require parliamentary action and can only be considered when the Financial Administration Act is undergoing amendment. The effective date for all increases goes back to December 1965—that is the date of the increase for senior civil servants. I should also add that there are certain restraints placed by the bill on the freedom of the governor in council to make further salary adjustments in future. No authority is given for reductions in salary by action of the governor in council. Safeguards

are provided to ensure internal relativity and equality of treatment among all ordinary members within each board and commission.

I will be glad to elaborate on these and other points which may be of interest to hon. members when we reach the clause by clause discussion of the bill. Meanwhile, I hope that the explanations I have given will suffice to satisfy the house that it can give approval in principle to the bill at this stage.

Hon. R. A. Bell (Carleton): Mr. Speaker, the bill now before the house involves a major change in principle. Heretofore a substantial number of salaries were fixed only by statute and the governor in council had no authority in respect of them. As I understand it, the principle behind that practice was simply to assure the total independence of the members of these boards from the governor in council or from any direct or indirect pressure by the cabinet. In this bill we are making a change and putting it within the authority of the cabinet to increase salaries, although the legislation provides a floor. If the house is aware of this major change in principle and is satisfied that there is not likely to arise as a result thereof any type of direct or indirect pressure upon these public servants, then there could be no complaint. I might have understood it more readily if this had applied right across the board in all statutory salaries, but the minister has indicated that there are exemptions in relation to three cases which he says bear a very special relationship to parliament, namely the Auditor General, the Representation Commissioner and the Chief Electoral Officer. I have some reservations as to whether their intimacy with the work of parliament is of such a nature that it justifies a differentiation from the other categories set forth in the schedule to the bill.

Perhaps the proper time to discuss this with the minister will be in committee of the whole, but I think the minister will have to put before the committee some more cogent reasons than he has already given as to why we should abandon what has been the time honoured procedure of fixing salaries by statute and thereby protecting totally the impartiality and independence of these particular boards and commissions.

I know there are problems which arise by reason of the delay in getting around to the matter, but even those delays can be taken care of when the legislation is made substantially retroactive, as is the case here.

What I would like to put to the minister is this: If the principle of fixing salaries by statute was considered by parliament in the past as a necessary requisite to ensure the impartiality and independence of these boards and commissions from any pressure on the part of the governor in council, what has happened to change that situation? Is the minister asserting that the present cabinet is more enlightened than previous cabinets?

Mr. Benson: Certainly.

Mr. Bell (Carleton): We know of course that such is not the case and that perhaps we have never seen such an unenlightened cabinet in the history of our confederation.

An important principle is involved because there can be no doubt whatsoever that these boards and commissions must be under no pressure whatever from politicians. I will note in passing that for example a new floor is fixed for the chief commissioner of the Board of Transport Commissioners at a figure of $25,000, whereas the old salary was equal to the salary of the President of the Exchequer Court, and the bill that is forthcoming immediately after this bill will fix the salary of the President of the Exchequer Court at $35,000 and of the Exchequer Court judges at $30,000, which is considerably different from what is mentioned for the Board of Transport Commissioners.

We on this side have these reservations and we propose to examine the minister in some detail in committee of the whole, so that he can explain to us why a change is necessary now over what has been the clear position for so many years in preserving the independence by statutory rates.

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, most of what might be said on this legislation can be said when we are in committee of the whole. It is pretty obvious that with my voice tonight I will not make a 40 minute speech on second reading.

Some hon. Members: Hear, hear.

Mr. Knowles: It is nice to be applauded in the house once in a while, even if one has to promise a short speech in order to get it.

Mr. Winkler: Few people can ask for it and get it.

Mr. Knowles: I would simply like to say that I think there is a good case for the kind of change that the government is proposing. I recognize, as the hon. member for Carleton has pointed out, that this is a rather striking

change because for a long time many of these salaries have been fixed by statute. However, the fact is that throughout the years we have changed this situation one step at a time.

• (9:20 p.m.)

I think there is no more reason for some of these people who are in what are, in effect, administrative positions, to wait for the salary changes, as opposed to deputy ministers and other high ranking officials in the government service. The hon. member for Carleton (Mr. Bell) has a point which I think is a good one, namely where do we draw the line? Frankly, the thing that appeals to me most about this bill is that the government has left the three officials who are appointed directly by parliament, and who are directly responsible to parliament in the same position they were before, namely that their salaries are fixed by statute and can only be changed by parliament. As has been indicated the three in question are the Auditor General, the Representation Commissioner and the Chief Electoral Officer.

Mr. Bell (Carleton): The Auditor General is not appointed by parliament.

Mr. Knowles: I accept the correction, but he is responsible to parliament.

Mr. Bell (Carleton): Indeed.

Mr. Knowles: It seems to me there is no question but that an official of that kind, who has that sort of responsibility, should not be in a position to put pressure on the government for an increase in salary without it having to come before parliament.

Some people, of course, may look at some of these salaries and think they are too high when compared with the salaries paid in some walks of life. I think it has to be admitted that with the kind of work and the kind of responsibility that is involved, the government has not gone off the deep end. When we get into committee, I should like to ask a question about the members of the Income Tax Appeal Board, who are in part I of the schedule—that is, their salaries need no longer be fixed by statute but will be fixed by the governor in council. I wonder if the Income Tax Appeal Board is not rather close to a court. It seems to me that just as we leave the salaries of judges to be fixed by statute, the same situation should apply to the members of that board.

As I understand it, the Income Tax Appeal Board is a board to which taxpayers can appeal against the decisions of the Department of National Revenue. It strikes me there is that kind of judicial independence that should be maintained there. However, Mr. Speaker, it is not necessary to spin this out at length. I think that in principle what the government is asking parliament to do has much to commend it. We shall welcome further comments by the minister on the details when we get into committee of the whole.

Motion agreed to, bill read the second time and the house went into committee thereon, Mr. Rinfret in the chair.

On clause 2—*Interpretation.*

Mr. Bell (Carleton): I assume the minister is going to make some further comment?

Mr. Benson: I should like to make one or two comments with regard to some questions raised by the hon. member for Carleton and the hon. member for Winnipeg North Centre. First of all, the main reason this legislation is presented by the government is that the government thinks it is unfair to statutory officials who have been appointed to have to wait long periods of time in order to get their salaries adjusted.

I do not think, personally, with the protection that is built into clause 4 of this bill, that there is any question of the government threatening the independence of the people involved. I think that their independence will remain as it is and as provided by statute, because clause 4 forbids the government to reduce any salary and compels it to treat everyone at the same level fairly. This will maintain the independence of these boards. I can assure the committee that any time the government was going to raise some of the salaries and chose to leave out any one board, the members of the opposition would not allow this procedure to go unnoticed. There would be therefore adequate protection.

Another question that was raised was the question of the floor for the chairman of the Board of Transport Commissioners. This question was raised at the time we were going to change these salaries, and I believe although I am not sure that it was discussed with the chairman by the Minister of Transport. One of the things that is happening with this particular board is that its situation is changing; there will be a new board. The present chairman, I believe, is the last one who will have the opportunity to move into the Exchequer Court. He presently can become a member of the Exchequer Court, as I understand the situation.

A question was raised with regard to the Income Tax Appeal Board by the hon. member for Winnipeg North Centre. He said it had some judicial function. However, it is not a court in the true sense in that it is not conducted the way other courts are. Each of these boards included in the bill has some sort of judicial capacity in its activities. I do not believe the mere fact of being covered in this particular bill will in any way affect the independence of the Income Tax Appeal Board. In addition to that, tomorrow we will have the Carter Commission report and we may see some changes suggested with respect to various matters, perhaps including the Income Tax Appeal Board.

Mr. Knowles: It takes ten years to implement a royal commission report.

Mr. Benson: It does not take this government ten years to implement a report.

If there are any other questions, I would be glad to deal with them as we move along.

Mr. Bell (Carleton): It becomes a matter of judgment, whether the new principle in this bill showed he adopted, but I confess I have considerable sympathy for the members of these boards who see deputy ministers and others getting their salaries adjusted with regularity, while they must wait to come to parliament. I believe the new system, imposes a special responsibility upon those who sit in the opposition, during such limited time as we will be sitting on this side of the house, to watch what is done by the government. We must make absolutely certain that these powers now being vested in the governor in council will not be used to reward sycophancy or punish independence.

It would be a most undesirable thing if members of boards who exercised full independence were denied an increase because the government was displeased with them. Now, I recognize when I say that, if the government were displeased they probably would not have any legislation passed and there would be no increase. I have reservations, and I can only say those reservations are such that they impose upon the opposition a special responsibility to watch what is being done by the governor in council in respect of these salaries.

• (9:30 p.m.)

[*Translation*]

Mr. Grégoire: Mr. Chairman, the hon. Minister of National Revenue and President of the Treasury Board (Mr. Benson) referred to certain cases of impartiality such as, for instance, the position of chairman of the Tax Appeal Board and the chairman of the Board of Transport Commissioners. I would also like to mention another case, namely the position of Chief Electoral Officer, the person responsible for the administration of the Canada Elections Act. Mr. Chairman, I have nothing whatsoever against the Chief Electoral Officer. However, I would like to say that, in my opinion, this person has a thankless job to do. I am not against an increase in salary for him, but I would like to make sure that there is no doubt as to the impartiality of this official on behalf of the government.

I would like to point out here a particular case where there is reason to wonder whether the government is not trying to force its decisions upon the population, through its senior officers, in such important areas as the administration of the Canada Elections Act.

In recent years, the act was amended and the Electoral Boundaries Commission was established. This commission has tried to—

[*English*]

Mr. Benson: I wonder if the hon. member would permit a question. Does he not realize that in this bill the salary of the Chief Electoral Officer is to be determined by parliament? The government in the case of the Chief Electoral Officer, as in the case of the Redistribution Commissioner and the Auditor General, will not have the right to act on salaries.

[*Translation*]

Mr. Grégoire: Mr. Chairman, I realize that. But I note as well that the salary has been increased in that instance, and I want to point out something important, lest I do not have another opportunity to do so.

I shall continue. Two or three years ago, in this house, the Minister of Transport (Mr. Pickersgill) proposed the creation of a redistribution commission to be composed of impartial commissioners appointed by a judge of the Supreme Court of Canada and so on and so forth. For days we spoke about the necessity of there being the utmost impartiality in matters dealing with elections.

Now, Mr. Chairman, after those grandiose statements by the Liberal party, I see the Elections Act was not really applied impartially and that it even served political purposes, of which I shall give a specific instance.

In my constituency of Lapointe, there was a returning officer who did a very good job. He

was an appointee of the Conservative party, at the time it was in office. I have had the opportunity to deal with that returning officer in the last three elections. One cannot say that I am trying to protect a supporter, for he was appointed by the Conservative party. But he is a competent man who had the necessary qualifications to fulfil his duties well—and I say this, knowing that he may be one of my opponents in politics. He is still young enough, as he has not yet reached 65. And all of a sudden, without any notice to him, and simply because of the new boundaries of the riding, somebody else is appointed in his place. That other man I do not know.

Mr. Albert Béchard (Parliamentary Secretary to Secretary of State): Mr. Speaker, I think the hon. member for Lapointe (Mr. Grégoire) is giving wrong information to the house, because the present returning officer in the present riding of Lapointe is still in office. If the separatist member for Lapointe decided to leave parliament in Ottawa once and for all, the gentleman in question would be the returning officer for his riding.

Mr. Grégoire: Mr. Chairman, I will say to the hon. member that he is most definitely wrong because the one who was in office for the 1965 elections was a Mr. J. O. Bradette and that the one who holds the office right now and who sent me copies of the new redistribution of polling stations less than a month ago is a Mr. Bélanger of Kénogami.

Mr. Béchard: Mr. Chairman, I maintain that the hon. member for Lapointe is not speaking the truth, because the returning officer for the present riding of Lapointe is still the same Mr. Bradette.

Mr. Grégoire: Mr. Chairman, let the parliamentary secretary to the Secretary of State explain to me how it is that the official correspondence I am now receiving bears the signature of Mr. Bélanger of Kenogami, returning officer. It is not my intention to blame this gentleman, I do not know whether he is efficient or not, I never met him. But I received recently a letter from Mr. Bélanger of Kenogami, insurance broker, notifying me that, from now on, the new polls will be the following, and giving the numbers, and that there will be so many voters in each poll, and he is giving me the whole distribution of polls as regards the next election and he is telling me that he has been appointed to look after the implementation of the Elections Act in the constituency of Lapointe during the next election. Perhaps it would be the other one, if it were a by-election, but at any rate, the one looking after the correspondence, the one who received the order and the necessary amounts to reorganize the distribution of polls in the constituency of Lapointe is not Mr. J. O. Bradette any more, former returning officer in the constituency of Lapointe, but Mr. Bélanger, whose given name I forget; but I have some of his letters in my office and his signature bears the mention "Returning Officer for the constituency of Lapointe". Therefore, should he be usurping such a title, I would like to ask the government to initiate the necessary proceedings.

I do not know him, Mr. Chairman, I am not saying he is not competent, I am not saying he does not have the knowledge he should—

The Deputy Chairman: Order. I regret to interrupt the hon. member for Lapointe; I think he is making remarks about a returning officer in a constituency, when we are dealing with a bill related to the chief electoral officer, which has nothing to do with the appointment or the duties of a returning officer in a constituency. I would therefore ask the hon. member to address himself to the bill we are considering.

Mr. Grégoire: I think you are right, Mr. Chairman, but I was side-tracked by the hon. member for Bonaventure (Mr. Béchard). Now, if the hon. member for Bonaventure is prepared to rise and state that Mr. Bradette is still the returning officer for the constituency of Lapointe or that he has been reinstated in that job, in short, if he has not been replaced and there is no question of replacing him, I can assure the house that it will help in bringing this debate to an early conclusion.

The Deputy Chairman: Order. I interrupt the hon. member because I do not believe the we can deal with this question at this stage. I should then request the hon. member to limit his remarks to the bill now before us.

Mr. Grégoire: Mr. Chairman, if, as I said, the hon. member for Bonaventure is right, then, the question I am raising as to the impartiality of senior civil servants or the authority that may be exerted by the government over senior civil servants is no longer motivated. So, I say that if I am right, then I shall connect the whole thing to the authority of the government over the senior civil servants listed in the schedule of Bill No. C-266. If I am right, I intend to mention the activities of the government. If I am wrong, obviously, I can no longer mention them. So, Mr. Chairman, I think you will agree with me

that I have raised the point, thinking that I was right, in stating that there had been undue influence by the government in the selection of a returning officer precisely—since the government does not appoint them directly—through the chief electoral officer. The chief electoral officer appoints the people suggested to him or dictated to him by the government.

Mr. Béchard: On a point of order. Once again I want to say that the hon. member is ill-informed and that he does not know the act, because returning officers are appointed by order in council and not by the chief electoral officer.

Mr. Grégoire: Mr. Chairman, if I am not mistaken, returning officers are appointed by the chief electoral officer who follows—

The Deputy Chairman: I do not think this is the proper time to discuss who is responsible for the appointment of returning officers in a constituency. I feel any remarks from either side of the house should deal with the bill now before the committee.

Mr. Grégoire: Mr. Chairman, I am only referring to Part II of the schedule of Bill No. C-266 where mention is made of the chief electoral officer. I simply wanted to suggest that this senior official appointed by the government should be completely and totally free from any interference on the part of the government.

When I raised that point earlier, the parliamentary secretary to the Secretary of State told me that the returning officer in my riding had not been changed. If such is the case—I have almost completed my remarks—since I have received letters from an individual who signs as the returning officer for my riding, I shall ask the government to take appropriate action against that person who is usurping rights and taking upon himself duties which are not his. I do not know him and I do not know whether or not he is qualified to carry out those duties. I do know, however, that I received some letters, and if this is an imposture, I shall advise the government to that effect and ask that action be taken. On the other hand, if the hon. member for Bonaventure is right, I shall be pleased to know that a man performing his work efficiently has not been dismissed without any reason.

• (9:40 p.m.)

[*English*]

Clause agreed to.

Clause 3 agreed to.

On clause 4—*Limitation on authority to fix salaries.*

Mr. Knowles: I wonder whether the President of the Treasury Board would care to tell us how this bill will be handled by the commissioners who are revising the statutes. This bill in its schedule provides amendments to ten different statutes while some of the clauses lay down certain principles.

Mr. Benson: I would hope, and I will request, that the changes in the individual statutes be built into them. I think this would be the proper way to deal with this matter. The clauses which cover all of those statutes will, of course, be included in this statute as well.

Mr. Knowles: That is why I asked my question on clause 4. I can see that it is easy and appropriate to build the ten changes listed in the schedule into the separate acts. But what happens to clause 4? Does it get built into the same ten acts ten different times?

Mr. Benson: Not being an expert on the consolidation of statutes I cannot tell the hon. member exactly how this will be handled but I will bring the problem to the attention of those who consolidate the statutes and I am sure they will do the proper thing in the circumstances. I really do not know what it is.

Mr. Knowles: Does the minister know whether the commissioners solved the last problem he took to them last year when he put through am omnibus bill of this character?

Mr. Benson: I have not seen what they did but I know this matter was brought to their attention.

Clause agreed to.

On clause 5—*Coming into force.*

Mr. Bell (Carleton): I did not follow the minister when he spoke of the reasons for the choice of this date December 1, 1965. By the time this bill comes into effect, that will be 15 months ago. Have there been any adjustments made to major salaries in that 15-month period and do these salaries take such adjustments into consideration, if any have been made since December 1, 1965?

Mr. Benson: There have been no changes made in the senior order in council appointments since that date. This matter is under review at the present time and the present legislation, among other things, will make it possible for any changes in senior order in

council appointments to be applied to those receiving statutory salaries immediately. The last salary change in senior order in council appointments, that is, deputy ministers and so on, was made on December 1, 1965, and is in the same amount as this adjustment.

Mr. Bell (Carleton): So the minister has not built in to these minimum figures anything that has happened since that time.

Mr. Benson: Nothing has happened to the senior order in council appointments. When they are reconsidered, those other salaries will be reconsidered at the same time.

Mr. Barnett: With regard to this retroactive aspect, can the minister in his other capacity tell us what happens with regard to these retroactive payments as far as income tax is concerned?

Mr. Benson: Salaried employees report their incomes on a cash basis. If they received this cash in 1967 it will be taxed in 1967.

Mr. Ballard: I wish to ask a question on the schedule. I should like to point out that the salary increases outlined follow fairly closely a mathematical formula with respect to increases, with the exception of the first, where the chief commissioner under the Canada Grain Act receives a salary increase of $3,500, from $19,000 to $22,500. In the next category, under the Income Tax Act, the salary of the assistant chairman is increased from $19,000 to $20,520, and each of the increases from previous salaries of $19,000 is of a similar amount. I wonder why this increase to $22,500 was made in the case of the grain commissioner? Is this a special case? Who recommended such an increase?

Mr. Benson: I mentioned previously that the over-all increase was 8 per cent and in my opening statement I said there were certain exceptions, and the reasons for those exceptions were explained. Unfortunately I do not have my statement with me now.

Clause agreed to.

On the schedule.

Mr. Herridge: I should like to ask a question or two on the schedule. The previous speaker said the increases are more or less on a mathematical basis. Can the minister inform the committee what formula was used in increasing these salaries?

Mr. Benson: In my statement on second reading of this bill I did explain that the basis, generally, was 8 per cent as given to senior order in council appointments, with some exceptions where we were advised that the responsibilities had been increased or changed.

Mr. Herridge: Who is the chairman of the International Boundary Waters Commission and can the minister inform us what are his qualifications to hold this position?

Mr. Benson: Really, this is not within my jurisdiction. I am interested in the salaries of these positions; I am not familiar with the people who occupy all the various positions in the government service. But I will find out for the hon. member and inform him of the name of the chairman and of his qualifications for appointment.

Mr. Bell (Carleton): I do not think anyone doubts the qualifications of Mr. Arnold Heeney, Q.C.

An hon. Member: That is not the one.

Mr. Hales: I should like to make one or two observations about the Auditor General's salary as set forth in this act. The minister no doubt recalls that the third report of the public accounts committee made a recommendation that the salary of the Auditor General should be tied to those of the senior deputy ministers of the various departments.

• (9:50 p.m.)

Mr. Benson: Mr. Chairman, I shall answer this question. The salary of the Auditor General at this level will be higher than that of the most senior deputy minister in government. The reason we did not tie the Auditor General's salary to any other was that it is felt that the salaries of the Auditor General, the Chief Electoral Officer and the Representation Commissioner should be set by parliament from time to time, because these officials are responsible directly to parliament rather than to the government.

Mr. Hales: This is just the point. The minister has said that these salaries will be set by the executive. As we know, no one except the government can introduce in this house a money bill. Therefore the Auditor General, whom everyone in this house wants to see remain independent and a servant of all of us, should be kept independent. If the salaries of these three officials, including the Auditor General, are tied to the executive, then the executive would have direction over the Auditor General by having the authority to freeze his salary and perhaps force him out of office by means of a salary adjustment.

On the other hand, if his salary were tied in with that of the senior deputy ministers, then any discrimination would have to be against all the senior deputy ministers as a group and it would not be possible to deal with the Auditor General as one person.

My argument is that we are not making the Auditor General independent by fixing his salary in the manner set out in this bill. I should like to bring this to the attention of the minister and the house. The suggestion of the public accounts committee is that the salary of the Auditor General should be tied in with the salaries of senior deputy ministers and should be in an amount not less than the salary of the most senior deputy minister. In that case the Auditor General would have a greater independence than he has under the bill which we have before us.

I think we are making a mistake here. As a matter of fact, the salary of the Auditor General has been revised only twice in a period of 40 years whereas in the same period other statutory salaries were revised four times, and the salaries of other officials were revised eight times. Had the situation existed that his salary would not be less than that of the highest salary paid to a senior deputy minister, this situation could not have prevailed.

I believe the Auditor General has been receiving a salary in an amount less than that received by the senior deputy minister of the crown. I think it is shameful that we have allowed this situation to obtain for as long as it has. The Auditor General should be one of the highest paid servants of parliament, and he has not been. I am very much afraid that we are not providing the independence to which he is entitled in this position.

Mr. Alkenbrack: Mr. Chairman, I have just arrived in the house. There are some things I should like to point out at this time. I do not believe there are sound principles included in this bill. We are being asked to approve of a schedule of salaries to be set by the governor in council. In approving this legislation we will be approving of only the minimum salary. Members of the committee will notice that in every case the salary specified states that it shall not be less than a certain amount. It states that it shall be set by the governor in council. This means the cabinet, does it not, Mr. Chairman? So, the government is asking us to allow the cabinet to create and encourage more patronage in respect of these positions.

I agree with other hon. members who have said that the salary, especially in the case of the Auditor General, should be ample and should be one commensurate with the important duties of the official concerned. I cannot support the bill in the way it appears now, because by doing so I would be condoning any future action the cabinet might take regarding the setting of the actual salaries of these commissioners, civil servants and so on. These should be set by parliament. I see that the minister is shaking his head. I suppose he does not agree with my statement. Nevertheless I warn the house that the object of the government apparently is to get us to allow them to set these salaries.

No doubt some of these commissioners are members of the judiciary, the Tariff Board, the Board of Transport Commissioners, and so on. I do not think any of them should be beholden to this or any government or cabinet in respect of the amount of their salaries. I do not think they should be in a position where they would be expected to express gratitude to the members on the treasury benches. I think it would be wrong to give the cabinet the power to set these salaries.

Parliament sits every year. We sit a year at a time, as is evident from this session. We have a good deal of time in which to deal with these salaries. Let them be set here, and let the amount be the actual salary and not the minimum; let parliament do it. If we were to give the cabinet the power to do this, we would be giving this privilege to one political party, namely the one which is in power at the present time.

Schedule agreed to.

On clause 1.

[*Translation*]

Mr. Grégoire: Ten o'clock.

[*English*]

Mr. Starr: Mr. Chairman, I wonder whether the hon. member for Lapointe would be good enough to co-operate so that we might get on with this bill and complete it tonight.

[*Translation*]

Mr. Grégoire: Mr. Chairman, I would like very much to co-operate and allow consideration of this bill to be completed tonight, but since, a moment ago, the parliamentary secretary to the Secretary of State (Mr. Béchard) made a statement attempting to distort the truth and indulged in mental reservations, I feel it is my duty to check the facts and, by continuing consideration of clause 1 of the present bill, to be in a position to point out the truth to the hon. member.

Public Service

• (10:00 p.m.)

[*English*]

The Deputy Chairman: Shall I rise, report progress and request leave to sit again at the next sitting of the house?

Mr. McIlraith: Mr. Chairman, before you rise and report progress, I wonder whether we could not continue with the consideration of this bill, since it is so obviously the wish of almost all the members of the committee that we do so.

[*Translation*]

Mr. Grégoire: I am ready to accept, Mr. Chairman, that we continue consideration of this bill tonight, but I should like to put a question to the parliamentary secretary to the Secretary of State concerning clause 1. Of course, I do not have the facts before me now, because the documents are in my office, but the parliamentary secretary was wrong when he stated a moment ago that the returning officer in my riding had not changed; I have facts to the contrary. If he is ready to speak the truth now, I think we could continue tonight.

Mr. Béchard: Mr. Chairman, in answer to the hon. member—indeed I gave him the correct answer a while ago—if he did not understand exactly what I said, I cannot help it. I said, in answer to the same member, that Mr. Bradette, of the present riding of Lapointe, was still returning officer in the present riding of Lapointe.

Mr. Grégoire: Mr. Chairman, can the parliamentary secretary tell me whether a Mr. Bélanger has been appointed to replace him in the new constituency of Lapointe, under the new Canada Elections Act that was passed two years ago?

Mr. Béchard: Mr. Chairman, mention has been made of the present electoral district of Lapointe. He said: his constituency. He does not mean that it is his riding for the next election.

Mr. Grégoire: Mr. Chairman, it can be seen that the parliamentary secretary is always making mental reservations. He very well knows that a new returning officer has been appointed in the electoral district of Lapointe that was changed by the last Canada Elections Act, which will be in force at the next election. I believe the parliamentary secretary should admit that, instead of imagining things that are not true.

[Mr. Grégoire.]

Mr. Chairman, changing the subject, I should like to say a word or two concerning clause 1. I shall not be long: just a word or two. Clause 1 gives us, quite rightly, a general idea of the whole bill.

Mr. Chairman, I did not object to any of those increases, because the people involved hold important positions, bear heavy responsibilities and must possess the necessary ability.

However, I should like to point out that this legislation indicates that Canada is now going through a period of inflation and increase in the cost of living. The salaries of civil servants must be raised because of the tremendous increase in the cost of living in Canada; I think the government should take steps to stop this continuous increase. Actually, Bill No. C-266 which we are now studying contains the evidence, examples and arguments concerning this increase.

If salaries of public servants are increased, it is because the cost of living has increased. Well, if that is all right for those senior officials, if no objection is raised, this would lead us to think that this would also be good for all the civil servants of Canada. It would probably be good also for all the workers and farmers of Canada.

We are now increasing salaries by $5,000. Certain officials will obtain $5,000 outright in addition to their regular salary. Well, if we are in a position to grant salary increases of $5,000, I wonder whether we could not make sure that Canadian wage-earners get at least $5,000 in wages per year. If an increase of $5,000 per annum is quite acceptable for some high-ranking civil servants, would not a minimum annual salary of $5,000 be equally welcome for the Canadian citizens?

There is a disproportion in the fact that some salaries are increased by $5,000 in some cases, whereas there are some government employees who do not even get a salary of $5,000. In my opinion, all such increases are occasioned by the present rise in the cost of living.

Mr. Chairman, before I resume my seat, I may say that I do not object to such increases, since the government is responsible for the rise in the cost of living, since it raises the taxes and takes various measures to make living in Canada more expensive. The present government is to blame and should be held responsible for such a situation.

If the government sees this need for increased salaries in the case of senior officers, it must also realize that the low wage-earner

in Canada also has to face this higher cost of living. The government has a very serious responsibility toward the low wage-earners and those who can only count on their old age pension for a living. It is up to the government to take the necessary steps so that the low wage-earners, the not so well-off Canadians, receive compensation for these mistakes the government has made.

I believe those comments were necessary, Mr. Chairman, because if the government realizes that certain civil servants must be granted increased salaries due to the rising cost of living, it must not go on ignoring the low wage-earners, those Canadian citizens on low income, also have a right to these increases, these adjustments, commensurate with the increase in the cost of living.

The greatest fault, as I said before, lies with the government who has failed to check this increase in the cost of living, to which it has even contributed by raising taxes such as the 1 per cent sales tax and the 11 per cent tax on building materials. The government will never get enough blame for such actions and I am convinced the Canadian people will act accordingly at the next election, because the government did nothing to curb the increase in the cost of living as shown by Bill No. C-266, now before us.

The Deputy Chairman: Shall clause 1 carry?

[*English*]

Clause agreed to.

Title agreed to.

Bill reported.

Mr. Speaker: When shall the bill be read the third time?

Some hon. Members: By leave, now.

Mr. Benson moved the third reading of the bill.

Motion agreed to and bill read the third time and passed.

BUSINESS OF THE HOUSE

Mr. McIlraith: Mr. Speaker, tomorrow the house will be asked to consider first the supplementary estimates, followed by items 127, 116, 120, 130, 133, 128 and 129. After the first three items there may be a desire to change the order of the other items but if there is it will only be done after consultation with the house leaders of the other parties.

PROCEEDINGS ON ADJOURNMENT MOTION

A motion to adjourn the house under provisional standing order 39A deemed to have been moved.

EXTERNAL AFFAIRS—PORTUGAL—REPORTED INTENTION TO EXILE POLITICAL PRISONERS

Mr. Andrew Brewin (Greenwood): Mr. Speaker, on February 14 I inquired of the Secretary of State for External Affairs (Mr. Martin) whether the government intended to make any representations to the government of Portugal about the recent introduction of a decree providing for the exile from metropolitan Portugal of political prisoners. I am glad to have the opportunity to enlarge on the importance of this question. My question arose out of a recent trip taken by the hon. member for Prince (Mr. MacDonald) and myself to Lisbon when we had the opportunity of interviewing a good many outstanding Portugese lawyers, writers, students and relatives of political prisoners.

• (10:10 p.m.)

It is of course no news that Portugal has for many years—I think about 40 now—been governed by a dictatorship. Nor is it news that Portugal is a police state. What is not perhaps equally well known is that repression is growing worse and not, as in Spain, moderating. This may be, of course, because of increasingly adverse economic conditions which result, in part perhaps, from Portugal's involvement in three colonial wars in Africa.

On September 24 of last year, Mr. Speaker, a new decree was passed by the government of Portugal. It is No. 47216 and the substance of it is that the ministers of justice and overseas can authorize sentences or security measures issued by metropolitan courts—metropolitan courts are the courts in Portugal—or courts of the adjacent islands to be served in prison establishments overseas.

Now, Mr. Speaker, deportation or exile has long been a sinister weapon of dictatorship. This particular decree revives in Portugal, and amongst the many political prisoners and their families, the memories of a notorious concentration camp, the Tarrafal, in the Cape Verde Islands. Many people lost their lives or rotted away in these remote islands, forgotten, and where they could not very well be observed. The effect of this sort of decree is to separate people from their families and from any contact with the civilized world.

That the government of Portugal is ashamed of this sort of decree is obvious from the fact that, although the decree is published in an official gazette, we were shown a newspaper which merely reprinted the decree without any comment, and this was crossed out by the censors so the people generally should not have it published to them.

It may be asked why we in Canada should be concerned. The reason is that we are an ally of Portugal in NATO. Both Canada and Portugal are bound by the treaty to safeguard the freedom, common heritage and civilization of their peoples founded on the principle of democracy, individual liberty and the rule of law. The callous disregard for the rule of law and the reversion to barbarism by coercing political prisoners reflects discredit not only on the particular country but on the whole western alliance which is supposed to be united in preserving certain basic human values. It may be said that the Portuguese authorities will know that Canada looks askance on methods of terrorism, that it would be unnecessary or useless for us to intervene or protest. It may be said the protests would be disregarded. We were assured many times that about the only thing that could influence the government of that country was international concern that was expressed.

Canada, I suggest, should base its protest on the terms of the NATO treaty and upon the universal declaration of human rights. We cannot in Canada shut our eyes to oppression, no matter where it happens to be. We should do something to prevent this infamous decree from being employed. We ought to make a protest that may well influence the government of that country which still desires to be considered civilized.

Mr. Albert Béchard (Parliamentary Secretary to Secretary of State): Mr. Speaker, in the name of the Secretary of State for External Affairs, (Mr. Martin) in the absence of his parliamentary secretary, I shall say to the hon. member that I have no information which would tend to contradict the reports the hon. member is referring to.

The Canadian attitude to human rights questions is well known. Last December for instance at the United Nations we voted for the covenant on human rights as well as for the convention for elimination of all forms of racial discrimination.

I believe that the United Nations is creating a climate which gives increasing weight to the moral force of world public opinion on human rights. We are contributing in this way to the growth of a situation in which the remedy for the questions raised may eventually be found.

The Portuguese government is fully aware of the views of the Canadian government on human rights questions. I think the hon. member has already received an adequate explanation on that subject from the Secretary of State for External Affairs on a previous date.

[*Translation*]

CANADIAN BROADCASTING CORPORATION—"TIREZ AU CLAIR" PROTESTS RESPECTING PROGRAM

Mr. C. A. Gauthier (Roberval): Mr. Speaker, further to the question I put this morning with regard to some T.V. producers, I must say it is high time the minister stepped in.

You may object that the minister has nothing to say about the production of programs. I shall retort that it is up to him to protect the public, that it is his duty, a duty he cannot shirk.

I must admit we are pretty well fed up with some of the goings-on over T.V., and generally speaking, the Canadian people feel even more strongly about it than we do.

We have reached the point where we ask: Who is boss in this country of ours? Who makes the laws? Whose duty is it to see that those laws are respected? I ask you those same questions. Are you going to remain silent much longer before such disquieting radio and T.V. performances as we witness? Some T.V. producers seem to be using the network to spread subversive ideas.

During the past few years, this has too often been the case on our screens. Sometimes you have some immigrant from Cuba or other socialist country appearing, trying to make the population believe that the country he has left—probably because he could no longer stand it there—has the best system of government in the world. And the population believes these lies. In the first place, you will note that most of the revolutionary leaders are foreigners.

Later, our Canadian citizens appear on the screen, being granted free time by the authorities, taking pride in the fact that they are militant communists or revolutionary socialists.

They take the authority of running down all authorities with shouts of "Liberty"; they deny any authority; they engage in the most shameful immorality. And that is shown on

our screens, in our living rooms. Divorce is a daily pastime. The actors are often homosexuals performing on the stage with naked women in the background. And the feast goes on in an orgy beyond description in which our great alcoholics play their parts. Now, if some honest people—for there happen to be some honest people left in Canada—make the mistake of informing the authorities, our modern scatter-brains call them old-fashioned.

Today, through guilty indifference, if not implicit approval, which I would not dare believe, we are obviously heading toward a revolution. We are in a tower of Babel. Those who should use broadcasting facilities to inform the people have abdicated in favor of revolutionaries.

We say that consciously or not the present government is encouraging that situation —for instance by allowing a man called Bourgeault to talk on eight occasions on television and radio. And what did he have to say? That he is an agnostic, that is to say that he no longer believes in God or the devil and that he wants to lead a country made up of 80 per cent of Roman Catholics and Christians. And some applaud such aberration; it is enough to make one weep, Mr. Speaker.

On another occasion a student or a university professor will tell us that he is an atheist, a communist or a socialist and that only through revolution will Quebec gain her freedom.

Finally, another one comes with his children. He says proudly that he did not have them baptized to leave them free to choose their religion. Can you imagine a two-year old or a five-year old choosing his religion while waiting probably for the day when he will at last be able to choose his father or mother who never got married anyway? What a lovely generation.

Do you really believe it is with such individuals we are going to build a sound and strong society? I am therefore asking the hon. minister, on behalf of the Canadian people, to create as soon as possible a board of inquiry to do the housecleaning work that is needed in the C.B.C. Thank God, there are still several honest workers in the C.B.C., whose most ardent desire is to purge our sound-waves from the filth of society. The general welfare commands the attention of the hon. minister in that field and a delay would but aggravate such a discouraging situation. I am therefore urging him to act and to act quickly.

Mr. Albert Béchard (Parliamentary Secretary to Secretary of State): Mr. Speaker, in Canada, thank God, we still live in a free country, and I hope we will never see the destiny of our country in the hands of a totalitarian and communist régime, as has and still is the unfortunate lot of several countries in the world.

In a free country, Mr. Speaker, all citizens should have freedom of thought and of speech and, like all taxpayers, they should be allowed to use the information media available.

In a free country, Mr. Speaker, the state cannot decently and logically seek to control information media, the press, radio and television. To try to deprive the various political parties or those who wish to express their views in public of these publication and communication media would, in my opinion, be tantamount to depriving the citizens of a free country of the exercise of their freedom.

I think the hon. member himself would be the first to condemn the state, the Canadian government for instance, if a member of his party or himself were to be prevented tomorrow from expressing their views and their policies to the citizens of the province of Quebec or of Canada, as they have done so freely since 1962 and during the previous years.

However, I will admit with the hon. member that liberty does not mean licence and that those are two entirely different things.

I believe that when public order and morals are seriously threatened, something should be done so that, as I said before, we may not be crushed under the dictatorship of a totalitarian government. We want our government to remain democratic and if the ideas spread by state broadcasting tended to upset the established order, I believe that some action would be necessary.

However, Mr. Speaker, the Canadian Broadcasting Corporation—since, I presume, we want to single out the C.B.C.—is independent of the Canadian government, and belongs to all the taxpayers and the Canadian population. When the corporation was established, directors were appointed, and I believe that, to prevent it from being controlled by the state, its officials can intervene when it seems that certain limits have been exceeded.

Proceedings on Adjournment Motion

• (10:20 p.m.)

[*English*]

CANADIAN NATIONAL RAILWAYS—NORTH SYDNEY, N.S.—POSSIBLE DISCONTINUANCE OF EXPRESS AND FREIGHT OPERATIONS

Mr. Robert Muir (Cape Breton North and Victoria): Mr. Speaker, first of all may I say how pleased I am to see the minister in the house tonight. I apologize for keeping him late. I realize that cabinet ministers are very busy persons. The fact that he is here is I hope an indication of the interest he has in the subject I wish to discuss and the seriousness of it.

Yesterday I posed a question to the minister. It arose out of a meeting I had with union officials and other people from my area, including councillors from Sydney Mines and the town of North Sydney. I asked the minister whether the Canadian National Railways intended to make further cutbacks in employment and service in the town of North Sydney by discontinuing their express and freight operations in that town. The minister said that he hoped not, but would make inquiries. I also hope not.

This matter goes back approximately one year. On February 3 I wrote to Mr. Ralph T. Vaughan, the then secretary of the company, to the effect that at that time there was a rumour that the Canadian National Railways were contemplating the removal of the express office and services from North Sydney, as well as the centralization of this office and service in Sydney. On February 9 I received an interim reply from Mr. Vaughan to the effect that he has asked for information from his regional officers and would write me again. On February 14 I wrote to Mr. Vaughan thanking him for his letter. Again on March 24 I wrote to Mr. Vaughan and stated that I was wondering whether he was in a position to provide me with any additional information. On May 4 I wrote him again—and at this time he was vice president of the company—asking whether he was in a position to provide me with any other information.

Finally, in a letter dated May 19, Mr. Vaughan stated:

> In any event, the situation with respect to the express office at North Sydney is now under active consideration and the regional office at Moncton tells me that a definitive plan has not yet been finalized. The express-freight operations at North Sydney, of course, can be broken down into two main elements, i.e., local traffic and Newfoundland traffic. Express-freight traffic destined for Newfoundland would have to be handled through the terminal facility at that point. It is the handling of the local traffic which is now being carefully studied as to what the best manner and method would be to deal with it. When the plans are completely formulated with regard to the handling of the express-freight local traffic for the Sydney area, we will arrange to inform all concerned of the details. In the meantime, the freight handling offices will remain substantially the same as they are at present and the staff will fluctuate upward or downward in accordance with the volume of traffic.

[Mr. Béchard.]

These letters were written in 1966. Again, on November 28, 1966, I placed a question on the order paper—which sometimes you, sir, tell us to do, and rightly so, although sometimes we find it difficult to obtain a reply, and if we do, often it is rather vague. The reply of the parliamentary secretary to the minister was to the effect that the management of the Canadian National Railways advise as follows: A service study is presently being undertaken in this area and no decision will be reached as to the eventual handling of local express freight traffic until the study is completed some time early in the new year. That was November 28, 1966. We are now into 1967.

• (10:30 p.m.)

Again we are hearing the same rumours in the area. Just last Saturday I met with representatives of the C.B. of R.T., the I.L.A., also representatives from the town of Sydney Mines and the town of North Sydney who are concerned about this problem. If this service is discontinued there will be poor service in both these towns and the surrounding areas. It could possibly mean the loss of jobs or the removal of jobs from the area, causing great inconvenience to those concerned. We can hardly afford to lose any more jobs or have any further disruption in the area. Someone might say that if the service is discontinued it will mean a loss of only 15 or 20 jobs, and ask why make such a fuss. But in our area every job is important, even one or two.

Since this government came into office we have seen the loss of 600 to 700 jobs at the Point Edward naval base. Eleven hundred employees have been laid off at the DOSCO steel plant, Sydney within recent months. There is the proposed phasing out of the coal mines, cut-backs in the C.N.R. and the loss of jobs in the C.B.H. national park. In connection with the North Sydney-Newfoundland service of Canadian National, the research and development department of that railway say in an industrial survey of North Sydney, Nova Scotia:

> In the past Canadian National has employed an average of 700 men in the North Sydney-Newfoundland service. With the introduction of the rail car ferries in late 1967 this number will be reduced to 150.

So you can see, Mr. Speaker, that we can ill afford to lose any job. I hope the minister will in his reply assure me, the people concerned with this problem and the representatives of the unions, and the towns concerned that no change will take place and the status quo will remain. We go from one crisis to another, and it would appear that under this government if it is not the mumps, it is the measles.

Hon. J. W. Pickersgill (Minister of Transport): Mr. Speaker, the hon. gentleman, with his usual fairness and objectivity, failed to mention the fact that the Coastguard College was established at Point Edward—

Mr. Muir (Cape Breton North and Victoria): That employs only half dozen at Point Edward.

Mr. Pickersgill: —and industries are going into Point Edward.

Mr. Muir (Cape Breton North and Victoria): Only half a dozen people are employed at the Coastguard College.

Mr. Pickersgill: The hon. gentleman has had his say, Mr. Speaker, and I trust he will abide by the rules and let me have mine.

Mr. Muir (Cape Breton North and Victoria): I trust that you will be factual.

Mr. Pickersgill: There is no area in Canada with regard to which this government has tried so hard to provide alternatives to certain industries that are declining because of the progress of the times. That progress is not going to be arrested, and it is not the fault of the government that the progress itself may have been stimulated by the activities of a dynamic government.

Mr. Muir (Cape Breton North and Victoria): You are so modest.

Mr. Pickersgill: While I have no quarrel with the hon. gentleman's concern about anything that is going to be disturbing to his community, it does seem to me that we in this national forum are entitled to have all the facts placed before us. I would have been much more impressed by what the hon. gentleman said if he had left out the last few words. I am afraid there is very little I can add to the information I have already given on this question. Incidentally, Mr. Speaker, I make no apology for not knowing the answer to this question yesterday; I do not run Canadian National Railways, and I hope no government ever does.

Mr. Muir (Cape Breton North and Victoria): On a point of order, Mr. Speaker—

Mr. Speaker: No point of order can be raised at this time. The hon. member should know the rules.

Mr. Muir (Cape Breton North and Victoria): I suggest that the minister stick to the truth.

Mr. Pickersgill: Mr. Speaker, as I say—

Mr. Speaker: Order, please. Will the minister resume his seat for just a moment. I should like to bring to the attention of the hon. member for Cape Breton North and Victoria (Mr. Muir) that we have these adjournment debates every night and we never have any difficulty. Hon. members who have a question are given the opportunity to speak for seven minutes without interruption, and ministers are entitled to make a three-minute reply without interruption.

Mr. Pickersgill: So far as the question is concerned, Mr. Speaker, the government does not run Canadian National Railways, and I hope no government will ever attempt to do so. All any minister of transport can do is ask the railway for information, which has to be done in any case.

I have information from the C.N.R. which I will read, but it is almost exactly to the same effect as the information which the hon. gentleman already has, that is that the railway is still studying the rationalization of the express freight operations throughout their whole system, and that of course includes the area in question. The railway has assured the government that before any final decision on the rationalization of express freight handling operations in North Sydney is taken there will be full consultation with the unions involved to assure that dislocation is kept to a minimum so far as local employment and also service to their customers is concerned.

Mr. Speaker: Order, please. I must interrupt the minister. The time allotted to him has expired.

Motion agreed to and the house adjourned at 10.40 p.m.

23033—849

HOUSE OF COMMONS

Friday, February 24, 1967

The house met at 11.00 a.m.

PRIVILEGE

MR. WATSON (CHÂTEAUGUAY-HUNTINGDON-LAPRAIRIE)—ACTIVITIES OF U.S. INTELLIGENCE AGENCY

Mr. Ian Watson (Châteauguay-Huntingdon-Laprairie): Mr. Speaker, on a question of personal privilege, on Monday of this week I asked the Solicitor General a question related to reported activities of the Central Intelligence Agency in some international affiliations of the A.F.L.-C.I.O., and I referred with tongue in cheek to possible infiltration of the New Democratic Party by the C.I.A. through the C.L.C.'s international affiliations.

My question arose out of an article which appeared on the front page of the February 20 issue of the *Christian Science Monitor*. Last night I was amazed to learn that Claude Jodoin, C.L.C. president, had issued a press release which stated in part:

> The inference made in the House of Commons by Mr. Ian Watson (Châteauguay-Huntingdon-Laprairie) that unions affiliated to the Canadian Labour Congress may have accepted funds from the Central Intelligence Agency for operations in Canada is completely unjustified.

I would like to make it clear that no such inference was contained in my question. Furthermore, I take strong exception to Mr. Jodoin terming my question unjustified. Despite the apparent attitude of the C.L.C. executive, members of unions in my riding, affiliated with the C.L.C. and international branches of the A.F.L.-C.I.O., are most interested in knowing whether the Central Intelligence Agency has infiltrated Canadian unionism through United States internationals.

Mr. Jodoin in effect is saying that I, as a member of parliament, do not have the right to ask this question. This, Mr. Speaker, is an affront to the basic parliamentary privileges of every member of this house.

• (11:10 a.m.)

PROCEDURE

APPOINTMENT OF MEMBERS OF SPECIAL COMMITTEE

Mr. Bernard Pilon (Chambly-Rouville) moved:

> That the following members compose the special committee on procedure appointed January 25, 1967: Messrs. Asselin (Richmond-Wolfe), Baldwin, Brand, Faulkner, Knowles, Langlois (Mégantic), MacEachen, Nugent, Olson, Richard and Stewart.

Motion agreed to.

FINANCE

PROVISION FOR FEDERAL PAYMENTS TO PROVINCES

Hon. E. J. Benson (for the Minister of Finance) moved that the house go into committee at the next sitting to consider the following resolution, which has been recommended to the house by His Excellency:

> That it is expedient to introduce a measure to provide for the payment to provinces out of the consolidated revenue fund, for each fiscal year in the period commencing on the 1st day of April, 1967 and ending on the 31st day of March, 1972, of provincial revenue equalization payments and post-secondary education adjustment payments, and for each fiscal year commencing on or after the 1st day of April, 1967, of provincial revenue stabilization payments and succession duty payments; to authorize tax collection agreements with provinces and to amend the Established Programs (Interim Arrangements) Act to extend for an additional three years the interim period relating to the health grants program.

Motion agreed to.

EXTERNAL AFFAIRS

VIET NAM—REPORTED SPEECH BY MEMBER FOR DOLLARD

On the orders of the day:

Hon. J. A. MacLean (Queens): Mr. Speaker, I should like to address a question to the Secretary of State for External Affairs and ask whether the hon. member for Dollard (Mr. Goyer) was reflecting a change in government policy when, in a speech delivered in Montreal recently, he called for an end to United States bombing of North Viet Nam,

the eventual departure of United States forces and Canada's recognition of mainland China.

Mr. Speaker: Order, please. It may be that members of the house would like to hear the answer which the Secretary of State for External Affairs wishes to give, but I think I should bring to the attention of hon. members that it is not in order to ask questions about statements made outside the house by members. According to practice questions may be asked of the Prime Minister concerning statements made outside the house by cabinet ministers. A member may wish to ascertain whether such a statement reflects government policy; but this does not extend to statements made by individual members.

Hon. Marcel Lambert (Edmonton West): Mr. Speaker, may I ask, as a matter of information, whether this includes parliamentary secretaries?

Mr. Speaker: I am referring to the rule in Beauchesne which specifically refers to cabinet ministers. The point raised by the hon. member is of interest, but I do not think it applies to this particular case.

Mr. Lambert: On previous occasions the present administration has insisted that parliamentary secretaries speak for the government.

Mr. MacLean (Queens): Mr. Speaker, I might rephrase my question and ask the Secretary of State for External Affairs whether there has been any recent change in government policy with regard to external affairs similar to what I have mentioned.

Hon. Paul Martin (Secretary of State for External Affairs): No, Mr. Speaker. The question my hon. friend asked was based upon a report which contained a portion of what I said when I spoke to students at McGill University. If my hon. friend will examine that report together with the full speech he will see, of course, that there was no change in government policy.

UNEMPLOYMENT INSURANCE

POSSIBLE EXHAUSTION OF SUPPLEMENTARY BENEFITS FOR AUTO WORKERS

On the orders of the day:

Mr. David Lewis (York South): Mr. Speaker, my question is for the Minister of Labour. I should like to ask him whether he has received a telegram from Mr. Gordon Lambert, chairman of General Motors U.A.W. council, protesting the depletion of their supplementary unemployment benefit fund before transitional assistance benefit payments are made. I would ask the minister what his reply has been to that protest.

Hon. J. R. Nicholson (Minister of Labour): Mr. Speaker, I mentioned in reply to a question put to me some weeks ago that further representations had been made by the representatives of the United Automobile Workers to several of my cabinet colleagues and myself. I said we were giving serious consideration to the representations to see whether there should be any further change in the TAB program that was announced last fall. The submissions are still under study. I will be replying to Mr. Lambert later today, but as yet no change has been decided upon. If and when any change of government policy has been decided upon, it will be announced.

Mr. Lewis: A supplementary question, Mr. Speaker. Is the minister aware—since he received the telegram he obviously must be—that the supplementary unemployment insurance fund is depleted to about 40 per cent, and that the workers concerned are worried about there being enough in the fund to meet the needs of workers laid off during the period of change over in models? Does the minister contemplate discussions with General Motors to replenish the fund that is being depleted?

Mr. Nicholson: I have nothing to add to my earlier answer, Mr. Speaker.

NATIONAL REVENUE

STUDEBAKER CORPORATION—INDEBTEDNESS FOR CUSTOMS DUTIES

On the orders of the day:

Hon. E. J. Benson (Minister of National Revenue and President of the Treasury Board): Mr. Speaker, a few days ago the right hon. Leader of the Opposition raised a question with regard to a statement in the Auditor General's report, and I promised to answer it at the first opportunity.

The statements contained in the Auditor General's report to the effect that a certain Canadian vehicle manufacturer had failed to meet the ratio requirement of the motor vehicle tariff order, 1965, and as a result had become indebted to the crown in an estimated amount of $2.4 million were apparently based on information which was available at the time of the preparation of the report. The amount mentioned was in fact a tentative

determination. However, further review of the matter on the basis of information which has become available indicates that the manufacturer in question has not failed to meet the ratio requirements and has not, therefore, incurred any indebtedness to the crown in this regard.

Hon. Michael Starr (Ontario): A supplementary question, Mr. Speaker. I would ask the Minister of National Revenue, does he mean by giving this answer that the Auditor General does not know what he is talking about?

Mr. Speaker: Order, please. The question is not a proper one.

Mr. Benson: On a question of privilege, Mr. Speaker—

Mr. Speaker: Order, please. I suggest to the minister that he should not reply to this question.

Mr. Martin (Essex East): It was a wholly improper question.

FINANCE

RELEASE OF REPORT OF ROYAL COMMISSION ON TAXATION

On the orders of the day:

Hon. Marcel Lambert (Edmonton West): Mr. Speaker, my question is to the Minister of Finance. Can he tell the house definitely whether the report of the royal commission on taxation will be released today; and if so, are there any copies in the hands of the communications media under pre-release restrictions? Third, what arrangement will be made, in the event of the report being tabled, for hon. members to obtain copies at the earliest opportunity today, not next Monday?

Hon. Mitchell Sharp (Minister of Finance): Mr. Speaker, it is my intention to table the report at 6 p.m. tonight at the close of our proceedings. I understand that the chairman of the royal commission has made arrangements to brief the press under security regulations. That is not being done by the government.

Mr. Lambert: A supplementary question, Mr. Speaker. Will arrangements be made that copies will be available and can be picked up by hon. members after six o'clock?

Mr. Sharp: I will look into these arrangements, Mr. Speaker, and see that this is done.

Inquiries of the Ministry

POLLUTION

INQUIRY AS TO INTRODUCTION OF LEGISLATION

On the orders of the day:

Mr. G. H. Aiken (Parry Sound-Muskoka): Mr. Speaker, I have a question for the right hon. Prime Minister. In view of his statement yesterday in Toronto that legislation concerning water and air pollution will be brought before the house this year, can he indicate when it may be put on the order paper?

Right Hon. L. B. Pearson (Prime Minister): No, Mr. Speaker. I said I hoped a lot of the things I mentioned would be decided during the year.

Mr. Aiken: May I ask the Prime Minister whether he expects it to be this session or the following session?

Mr. Pearson: Mr. Speaker, I should think it would have to be in the autumn.

CANADIAN CONSTITUTION

REQUEST FOR REPORT OF INTERDEPARTMENTAL COMMITTEE

On the orders of the day:

Mr. Heward Grafftey (Brome-Missisquoi): Mr. Speaker, my question is directed to the right hon. Prime Minister. In view of the action taken in the Quebec house yesterday, adopting Premier Johnson's suggestion to reconstitute their parliamentary committee studying the constitution, and in the light of the point of view of other provinces, would the right hon. Prime Minister ask the officials in the federal government who are studying constitutional reform to speed up their work so we can form our own parliamentary committee here in Ottawa to study the constitution?

Right Hon. L. B. Pearson (Prime Minister): Mr. Speaker, I hope the interdepartmental work going on in regard to this very important matter will be completed before long and submitted to the government. I think that would be the best time for the constitution of a parliamentary committee before which the government could appear with its recommendations on this matter.

BUSINESS OF THE HOUSE

INTRODUCTION OF LEGISLATION RESPECTING DIVORCE, BIRTH CONTROL AND ABORTION

On the orders of the day:

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, my question is for the

Prime Minister and is similar to the one asked by the hon. member for Parry Sound-Muskoka, having reference to the speech made by the Prime Minister at a gathering of some sort in Toronto last night. Does the answer the Prime Minister gave with respect to air and water pollution also apply with respect to legislation on divorce, birth control and abortion? Will such legislation be placed before parliament this year?

Right Hon. L. B. Pearson (Prime Minister): I had these matters in mind particularly since they were the first items I mentioned, namely divorce legislation and amendments to the Criminal Code to deal with the other two matters which my hon. friend mentioned.

Mr. Knowles: Will they be placed before parliament this year?

Mr. Pearson: That is our hope and our intention.

Mr. Raymond Langlois (Mégantic): Mr. Speaker, while we are speaking about the future may I ask the Prime Minister whether he has given consideration to bringing in during this session or early next session legislation dealing with the establishment of the office of ombudsman in the federal government?

Mr. Pearson: Mr. Speaker, I will have to look into that matter.

[*Later:*]

Mr. G. H. Aiken (Parry Sound-Muskoka): I have a supplementary question in connection with the divorce legislation. Can we be assured that no legislation will be brought before the house until the joint special committee of the Senate and the House of Commons has reported?

Mr. Pearson: Yes, Mr. Speaker, we would wish to wait until that report has been received.

TRANSPORT

SECOND FERRY BETWEEN NOVA SCOTIA AND NEW ENGLAND

On the orders of the day:

Mr. J. O. Bower (Shelburne-Yarmouth-Clare): Mr. Speaker, I have a question for the jovial, energetic and maritime-oriented Minister of Transport. Has the minister received, and if so will he give favourable consideration to, a representation from the Board of Trade of Yarmouth, Nova Scotia, requesting his department to put on, during the coming summer months only, a second ferry which is believed to be available and suitable for the purpose, to supplement the services of the motor vessel *Bluenose* on the Bar Harbor-Yarmouth run, taking into account that in this peak season the traffic demands for both truck and passenger car transport overwhelm the capacity of the *Bluenose* which, I might note, is now operating without a deficit.

Mr. Speaker: Order, please. The hon. member knows that questions should not be preceded by speeches, however short, and in view of the fact that the reform he is advocating would only apply next summer I should think perhaps the question might be placed on the order paper.

Mr. Bower: Mr. Speaker, since a lot of planning and many arrangements will have to be made if the supplementary ferry is to be put on, there is some urgency to my request. The urgency of the question also lies in the importance to the maritime provinces of the tourist business, in which I am sure the Minister of Transport is interested.

Some hon. Members: Hear, hear.

Mr. Speaker: I am sure all hon. members are impressed by the forcefulness of the hon. member's representation, but he knows that if he cannot wait for as long as it sometimes takes to get an answer to a question put on the paper he can always discuss this matter in the adjournment debate.

Mr. Bower: Ten o'clock, Mr. Speaker.

Hon. Michael Starr (Ontario): Mr. Speaker, I rise on a point of order. My point is that I am sure the minister has got the gist of the question, and in view of its importance he may want to reply even though it was lengthy.

Mr. Speaker: Order, please.

SHIPPING

HALIFAX—REQUEST FOR RESTORATION OF SAMBRO LIGHTSHIP

On the orders of the day:

Mr. Robert McCleave (Halifax): My question is also for the Minister of Transport, and I will withhold the adjectives until I have received his answer. Will the minister consider accepting the urgent request of the Canadian Merchant Service Guild, presented by Robert Cook, its national president, to restore the lightship at Sambro station on the

approaches to Halifax harbour, in the light of recent tragedies in that area?

Hon. J. W. Pickersgill (Minister of Transport): I think, sir, I ought to have expert advice before I attempt to answer a question so technical as that. I want to assure the hon. gentleman I will take it into immediate consideration.

Mr. J. M. Forrestall (Halifax): I have a question supplementary to the one asked by the senior member for Halifax related to the tragic loss of 18 lives last Tuesday. Is the minister aware of an exclusive radio broadcast over radio station CHMS, Halifax, last night in which it was brought to light that the Department of Transport was aware of the need for a sound alarm in this area and had so indicated in January, 1965, and was then in the process of proceeding to correct what was an obvious lack of safety devices in that area?

Mr. Pickersgill: I did not hear the broadcast, and I am grateful to the hon. gentleman for bringing it to my attention.

[*Later:*]

Mr. T. S. Barnett (Comox-Alberni): I should like to address a question to the Minister of Transport, Mr. Speaker, which is related to the questions addressed to him by the members for Halifax. In view of the fact, as I understand it, that there are some technical questions involved in the matter of a lightship versus a radar buoy in this situation, when the minister receives a report on this matter from his technical experts will he make that report available to members generally because of the implications it may have not only for this situation but for other coastal areas?

Mr. Pickersgill: I am flattered by the unexpected attention I seem to be getting, and grateful. I think the suggestion the hon. member has made is quite a reasonable one, or at least it sounds reasonable. I will think it over very carefully.

EXTERNAL AFFAIRS

INQUIRY AS TO MEETING BETWEEN PRIME MINISTER AND U.S. PRESIDENT

On the orders of the day:

Hon. Michael Starr (Ontario): I wish to address a question to the Prime Minister. Is he planning a meeting with President Johnson, either in Washington or elsewhere, and have any steps been taken to set up such a meeting?

Right Hon. L. B. Pearson (Prime Minister): Yes, I am looking forward to seeing the President on the afternoon of March 8.

INQUIRY OF THE MINISTRY

On the orders of the day:

Hon. Michael Starr (Ontario): I have another question for the Prime Minister, Mr. Speaker. I want to say to him that I was very sorry indeed to learn that he has cancelled his Caribbean trip. I want to ask him whether the reason for that cancellation involves an impending cabinet shake-up, including a change in the portfolio of national defence.

Mr. Speaker: Order, please.

AIRPORTS

WINNIPEG—REQUEST FOR INSTALLATION OF ESCALATORS

On the orders of the day:

Hon. Gordon Churchill (Winnipeg South Centre): My question is for the Minister of Transport. Is the minister taking any action with regard to installing extra escalators at Winnipeg airport, in an endeavour to acquire a reputation for action?

Hon. J. W. Pickersgill (Minister of Transport): I suggest—

Mr. Speaker: Order, please.

[*Translation*]

TRANSPORT

REQUEST FOR NEW POLICY RESPECTING LEVEL CROSSINGS

On the orders of the day:

Mr. Maurice Allard (Sherbrooke): Mr. Speaker, I should like to put a question to the hon. Minister of Transport.

Due to the fact that several tragedies have occurred at railway crossings and that 4,000 Dorion residents have submitted a petition to the government, does the hon. minister intend to adopt a new government assistance policy with a view to eliminating grade-crossings as much as possible and increasing accident prevention measures?

[*English*]

Hon. J. W. Pickersgill (Minister of Transport): I think perhaps because of the very great public interest in this matter, underlined by the tragic accident at Dorion, I

should remind the house of an undertaking I gave on behalf of the government when the government received the federation of mayors and municipalities, that the new transport commission would be asked to review fully the policy with respect to level crossings. However, if in the meantime there are any exceptional situations that appear to warrant exceptional action, there will be no hesitation on my part in recommending it to my colleagues and I feel quite sure I would get a sympathetic hearing.

Mr. Lloyd R. Crouse (Queens-Lunenburg): A supplementary question, Mr. Speaker. Has the minister any report to give the house on the investigation into the head-on collision of the Ocean Limited which occurred near Springhill?

Mr. Pickersgill: I am afraid, Mr. Speaker, that I have no report at the moment.

[*Translation*]

AGRICULTURE

INQUIRY AS TO PERSONNEL OF EASTERN FEED GRAIN BOARD

On the orders of the day:

Hon. Théogène Ricard (Saint-Hyacinthe-Bagot): Mr. Speaker, I have a question for the hon. Minister of Forestry and Rural Development.

Could the hon. minister indicate whether the members of the Canadian Feed Grain Board have been appointed?

Hon. Maurice Sauvé (Minister of Forestry and Rural Development): No, Mr. Speaker. I answered a similar question about ten days ago. I informed the house at that time that I expected the names of the members of the board would be announced before March 15.

Mr. Raymond Langlois (Mégantic): A supplementary question, Mr. Speaker. In order to avoid bringing up the same subject too often, would the minister agree to tabling a list of the names of the members when they are appointed?

Mr. Sauvé: Their names will be made public as soon as they are selected by the government.

[*English*]

NATIONAL SECURITY

CONSIDERATION OF WIRE TAPPING BY ROYAL COMMISSION

On the orders of the day:

Mr. Barry Mather (New Westminster): Mr. Speaker, I have a question that I want to ask the Solicitor General. Is the issue of wire tapping one which in the minister's opinion will be investigated by the royal commission on security matters?

Hon. L. T. Pennell (Solicitor General): Mr. Speaker, I do not wish to appear disrespectful to the hon. member, but I have no doubt that the commissioners will place a reasonable interpretation upon their terms of reference. It would be highly improper for me to express an opinion on this while the commission is at work.

AIR CANADA

SUGGESTED INCREASED USE OF WINNIPEG MAINTENANCE BASE

On the orders of the day:

Hon. Gordon Churchill (Winnipeg South Centre): Mr. Speaker, I have a question for the Minister of Transport who is so co-operative today. Will the minister discuss with the officials of Air Canada the advisability of the full utilization of the repair and maintenance depot at Winnipeg before expanding similar facilities at Dorval?

Hon. J. W. Pickersgill (Minister of Transport): That seems a quite reasonable request, sir.

LABOUR CONDITIONS

STEPS TO PREVENT TIME LOST THROUGH LABOUR DISPUTES

On the orders of the day:

Mr. R. R. Southam (Moose Mountain): Mr. Speaker, I have a question I should like to direct to the Minister of Labour. The urgency of my question is related to a public statement made by the Minister of Labour the day before yesterday, when he quoted figures indicating that work stoppages in Canada were twice as frequent in 1966 as in 1965 and that 411,000 workers were involved in 629 strikes and lockouts in 1966, resulting in a time loss of—

Mr. Speaker: Order, please. Would the hon. member kindly pose his question.

Mr. Southam: Can the minister advise the house whether he or the government are taking any steps to prevent a recurrence of this serious situation and the resulting loss to our economy?

Hon. J. R. Nicholson (Minister of Labour): Mr. Speaker, it is too bad that in his preface to the question the hon. gentleman did not read the last paragraph of the press item,

which would show that percentagewise there had been a drop. Actually there were, as everyone knows, some unfortunate work stoppages of major magnitude in 1966. There were an unusual number of collective agreements in the private sector as well as in the public sector that came up for renewal in 1966, and I would hope they are now behind us. Certainly at the present time employment is at a very high level, and so is production in factories and works generally across the country.

NATIONAL DEFENCE

INQUIRY AS TO FREEZE ON RELEASE OF TRAINED PERSONNEL

On the orders of the day:

Mr. J. P. Nowlan (Digby-Annapolis-Kings): Mr. Speaker, my question is directed to the Minister of National Defence. Has the downward manpower drop-out curve in the forces levelled off because of a five year freeze on releases from the forces?

Hon. Paul Hellyer (Minister of National Defence): Mr. Speaker, there is no such freeze—

Mr. Speaker: Order. It seems to me that the question asked by the hon. member includes an inference or an allegation, and in that form I am wondering whether it is acceptable.

Mr. Nowlan: Mr. Speaker, I wanted to ask a supplementary question in any event. Because of service requirements has a five year freeze been imposed on the release of graduate pilots?

Mr. Hellyer: Mr. Speaker, when the government of Canada gives training so expensive as that required for pilots, doctors, or any officers given university or post-graduate courses, it is felt that there should be some reasonable return to the people of Canada on that investment. I think this is a general policy which is being developed and which applies to all cases where special training is given, such as under the regular officers training plan.

Mr. G. L. Chatterton (Esquimalt-Saanich): A supplementary question, Mr. Speaker. May I ask the minister whether this investment was considered when the 500 pilots were forced to leave?

Mr. Hellyer: Yes, Mr. Speaker.

INQUIRIES OF THE MINISTRY

On the orders of the day:

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, I wish to address a question to the Prime Minister. I regret that I did not sent him notice but I have been harassed this morning with a lot of complimentary telephone calls. If the hon. member for Kootenay West were to receive an invitation to visit Taiwan, would he be able to visit the other points visited by the right hon. gentleman's parliamentary secretary so that the opposition's point of view would be presented in those areas?

Right Hon. L. B. Pearson (Prime Minister): He certainly would, Mr. Speaker—at his own expense.

Mr. R. A. Webb (Hastings-Frontenac): Mr. Speaker, I should like to direct a question to the Solicitor General as Acting Minister of Justice and ask him whether he would make inquiries with regard to an Ottawa firm the directors of which filed bankruptcy proceedings, yet are basking in the sunny south during the winter months at the expense of the Ottawa public.

Mr. Speaker: Order. The question is not very clear, but if there is urgency to the question and it could be made a little clearer, perhaps it could be put otherwise it should be put on the order paper.

SUPPLY

The house in committee of supply, Mr. Batten in the chair.

DEPARTMENT OF FINANCE

LOANS, INVESTMENTS AND ADVANCES

L30e. To provide for the purchase, acquisition and holding by the Minister of Finance of securities issued by the Canadian Corporation for the 1967 World Exhibition pursuant to subsection 1 of section 12 of the Canadian Corporation for the 1967 World Exhibition Act and to subsequently dispose thereof, $21,000,000.

Mr. Ricard: Mr. Chairman, has the minister any statement to make?

Mr. Winters: I have no formal statement to make, Mr. Chairman. This is the amount of money that is required to finance the Canadian corporation for Expo through to the point where it will be self supporting from its own revenue. Under the provisions of section

12 of the Canadian Corporation for the 1967 World Exhibition Act there is power to draw down moneys on a loan basis guaranteed by the government of Canada and the government of Quebec. So far there has been a total of $175 million borrowed against debentures. This amount of $21 million, making a total of $196 million, will see Expo in sufficiently good financial position to support itself until revenues start to flow from the turnstiles and other sources.

[*Translation*]

Mr. Ricard: Mr. Chairman, we on this side of the house have no intention of causing the least delay in the passing of supplementary estimates with regard to Expo '67.

However, I feel a few comments are necessary and I will only take a few minutes of the time of the committee.

We must remember, Mr. Chairman, that the government is carrying on the work of the Progressive Conservative government, with respect to Expo. In this as in many other endeavours, the present government, is treading a beaten path, in the best interests of Canadians. Our initiatives, while we were in power, continue to have beneficial effects upon the people, and we are happy to see that the government is following in the footsteps of its predecessors, as regards Expo.

Since this is probably our last opportunity to express our views concerning Expo '67, I believe this is the appropriate time to give credit to those concerned. We must admit that the province of Quebec and the city of Montreal owe it to the Leader of the Opposition (Mr. Diefenbaker) for having accepted that Expo '67 be held in the metropolis of Canada. I should also like to mention the contribution of the mayor of the city of Montreal, who co-operated fully. In fact, Mr. Drapeau travelled all over the world playing the part of ambassador; I feel that he also deserves some of the credit due to those responsible for Expo.

Expo '67, Mr. Chairman, is a colossal achievement; it is a monument to science, architecture and engineering. I believe this is the appropriate occasion to recognize the tremendous amount of work done by those who master-minded Expo; this achievement enhances not only their personal reputation, but also the reputation of Canada itself.

The success of Expo will contribute to the success of our country. Expo will play an important part in making the Canadian people known far beyond our borders. I feel it is essential that we concentrate on making a success of this major event in the life of our country, and it is both a privilege and an honour to belong to a country like Canada.

During the next few months, millions of visitors from all over the world will converge upon our country. If my information is correct—and I believe it is—at least 62 countries have already reserved space at this world exhibition. This, I believe, is the greatest number of countries ever to take part in a world exhibition. This sole consideration, I feel, is reason enough for those who are responsible for Expo to take pride in the work accomplished and expect the operation to be an unqualified success.

Mr. Chairman, Expo is not solely the business of the province of Quebec nor of the city of Montreal. Expo '67 is the business of every Canadian; every Canadian should take an active part in it. This event will bring additional income particularly to the province of Quebec and to the city of Montreal and thus, each will contribute to the prosperity of the other.

We have heard certain remarks on the development and the additional amounts earmarked for Expo. There has been some concern over the fact that the funds voted for Expo have been over-spent; to my mind, this is not surprising, since it was surely most difficult to forecast within a thousand or a hundred dollars, the final cost of the development of Expo '67. Anyone with the slightest experience in construction should be aware that there is often a large gap between the estimated and the actual cost. I had a similar experience last year when I had some repairs done to my home and when the bills came in I was not too surprised to discover that my estimate was doubled. If this is true in private enterprise, it should not be surprising to find the same thing in a public undertaking in which three levels of government are involved, particularly when it is realized that the operations have been carried out over a relatively long period of time.

Mr. Chairman, there are many factors contributing to the increase in the final cost of Expo and even if the cost is much higher than the estimate, according to our information, if it is compared to the cost of development of other world fair sites, the comparison is still to Canada's advantage.

• (11:50 a.m.)

Various factors led to an increase in the cost and even to delays in the development of the Expo site and Expo in general, and the government must be blamed for several of them. They had unfavourable repercussions due to a lack of planning or accuracy on the part of the government.

It is a well known fact that strikes delayed the work and increased the cost, and building materials also cost more. The railway strike and the longshoremen's strike in the Montreal harbour not only delayed the work but had other harmful results. And finally, I would not like to put all the responsibility or blame on the shoulders of the Minister of Trade and Commerce (Mr. Winters) and the Minister of Industry and Defence Production (Mr. Drury), but I must point out that the 11 per cent tax levied by his colleague the Minister of Finance and Receiver General (Mr. Sharp) also had very disastrous results for Expo. Consequently, because of the 11 per cent tax on building materials, the final cost of Expo is greatly increased. The government must take full responsibility for that. Had it not been for that harmful 11 per cent tax whose withdrawal we requested on many occasions, the minister would not have to ask for so much money today. Two months away from the opening of Expo, it would be ill advised to take action which would entail the complete failure of Expo.

I said it and I repeat it: we must do all we can to make sure that Expo '67 will be a big success. The minister must see to that. He is justified to watch closely how public funds are spent.

I do think that the members of my party have full confidence in the minister, as I have. I am sure he will perform his duties with as much care as he can. I ask my colleagues on all sides of the house to say or do nothing that could impede the success of Expo '67, for Canada's image abroad could be eroded.

So let us make Expo '67 our centennial project and let us pool all our efforts and good will so that, through Expo '67, Canada's good name may be echoed in all parts of the globe.

[*English*]

Mr. MacLean (Queens): Mr. Chairman, may I ask a question of the minister for clarification. Can the minister give the committee any idea of the receipts received from the sale of advance passports for Expo? Are the receipts from these sales available to the corporation, and have they been taken into account in arriving at the figure before us?

Mr. Winters: Mr. Chairman, the receipts are of the order of $20 million. That money is available to the corporation and is being taken into account when requesting this additional $21 million in the form of a loan.

Mr. Hales: May I ask a question for clarification. As I understand it, Expo has issued these securities to get money to operate. The Department of Finance has bought these securities and they remain the property of the Minister of Finance on behalf of the government of Canada. These are guaranteed bonds. By whom are they guaranteed?

Mr. Winters: They are guaranteed by the federal government and the government of the province of Quebec.

Mr. Hales: Are the guarantees not related to the percentages of money put up by the three partners who went into the Expo operation? Were the loans or moneys put up by the city of Montreal not guaranteed? Do the guarantees apply to the government of Quebec and to the government of Canada; are those guarantees based on the original deal?

Mr. Winters: The same guarantees apply. There is a supplementary, tripartite agreement whereby any surplus or deficit in Expo will be either paid to or borne by the federal government on the basis of 50 per cent, the provincial government on the basis of 37½ per cent, the remaining 12.5 per cent being applicable to the city of Montreal. But, Mr. Chairman, the guarantee is only of the two senior governments.

Mr. Hales: If there is a loss will the loss be shared in those proportions?

Mr. Winters: Yes. The losses will be shared in those proportions under the tripartite agreement.

Item agreed to.

Resolution reported and concurred in.

WAYS AND MEANS

The house in committee of ways and means, Mr. Batten in the chair.

Mr. Pennell moved:

Resolved, that toward making good the supply granted to Her Majesty on account of certain expenses of the public service for the fiscal year

ending the 31st day of March, 1967, the sum of $21,000,000 be granted out of the consolidated revenue fund of Canada.

The Chairman: Shall the resolution carry?

Some hon. Members: Agreed.

Resolution reported and concurred in.

Mr. Pennell thereupon moved for leave to introduce Bill No. C-271, for granting to Her Majesty certain sums of money for the public service for the financial year ending the 31st March, 1967.

Motion agreed to, bill read the first and second times and the house went into committee thereon, Mr. Batten in the chair.

• (12:00 noon)

On clause 2—*$21,000,000 granted for 1966-67.*

Mr. Bell (Carleton): Mr. Chairman, may we have, from whichever minister has responsibility for this legislation, the assurance that this bill is in the standard form and contains nothing that is not usual in such an appropriation bill.

Miss LaMarsh: I might say, Mr. Chairman, that I do not have a copy of the bill before me, but the bill which was prepared under the aegis of the Solicitor General I think can be safely accepted as being in the proper form. The Solicitor General has stepped out of the chamber for a moment, but he will return shortly.

Mr. Bell (Carleton): Surely there must be some minister who has read the bill and who is able to give what are the standard assurances. Here we have a situation where no minister is present who is in charge of the financial arrangements of this government. I say it is contempt of the House of Commons for the government to have here only ministers who are not prepared to answer a question in respect of an appropriation bill which is the very essence of parliamentary democracy. The Minister of Finance and the President of the Treasury Board, or somebody who is informed, ready and able to answer the question, should be here.

I think the bill had better stand. I suggest we should rise and report progress until some minister is here who is prepared to answer what is an ordinary question.

Miss LaMarsh: Mr. Chairman, quite obviously I do not have responsibility for this bill. My hon. friend has been a member of this house for some time and, despite the pyrotechnics he is indulging in, he should be aware that there are in the house at present five ministers, two members of the privy council, and half a dozen members on the hon. member's side of the chamber. There is no contempt whatsoever. The five clauses in the bill are clearly of the types which are contained in every such bill. They are easily read and very clear in intent. I suggest to my hon. friend that while we appreciate the histrionics, there is no question but that this bill is in the usual form. I am quite prepared to say it is in that form, and my hon. friend need have no apprehension in that regard.

Mr. Bell (Carleton): It is not a matter of histrionics. I have been in this house a long time, and I have sat on the other side. I have never known an occasion when an appropriation bill has been presented without this assurance being given by the Minister of Finance, the parliamentary secretary to the Minister of Finance, or the President of the Treasury Board. If there is no one here who is prepared to give this assurance I am prepared to move that we rise and report progress until there is a minister here who can give us this assurance in respect of a bill, which is vital and fundamental to the powers of the House of Commons.

Miss LaMarsh: I have just given that assurance. Perhaps the hon. member was giving such consideration to what he had in mind and was saying that he did not hear me say that. I gave that assurance. We have another minister here now. Under the administration of which my hon. friend was a member I can remember occasions when there were not five or six ministers in the house.

Mr. Bell (Carleton): Perhaps the Minister of Public Works would give the assurance.

Miss LaMarsh: I have given it twice.

Mr. Bell (Carleton): The hon. lady gave the assurance after confessing that she had not read the bill.

Miss LaMarsh: Mr. Chairman, I am sure the hon. gentleman is capable of reading the five clauses. He might not have the bill before him, but I have; and the moment I looked at it I realized it was quite safe for me to give that assurance because I noticed that it is in the usual form.

The Chairman: Shall clause 2 carry?

Some hon. Members: On division.

Clause agreed to.

The Chairman: Shall clause 3 carry?

Some hon. Members: On division.

Clause agreed to.

The Chairman: Shall clause 4 carry?

Some hon. Members: On division.

Clause agreed to.

The Chairman: Shall clause 5 carry?

Some hon. Members: On division.

Clause agreed to.

The Chairman: Shall the schedule carry?

Some hon. Members: On division.

Schedule agreed to.

The Chairman: Shall clause 1 carry?

Some hon. Members: On division.

Clause agreed to.

Preamble agreed to.

Title agreed to.

Bill reported, read the third time and passed.

JUDGES ACT

AMENDMENTS RESPECTING SALARIES, TRAVELLING EXPENSES, ETC.

Hon. L. T. Pennell (for the Minister of Justice) moved the second reading of Bill No. C-267, to amend the Judges Act.

He said: Mr. Speaker, I rise in the hope that we have passed through the eye of the storm and will be in calmer waters.

Mr. Bell (Carleton): I hope the minister has read the bill.

Mr. Pennell: I can give that assurance to the hon. member.

Mr. Bell (Carleton): That was the trouble with the earlier bill.

Mr. Pennell: The main purpose of this bill is to revise judicial salaries. The judiciary is such a vital component of our system that any bill dealing with the judiciary is a bill of importance. Salaries of the judiciary have not been revised since August, 1963. The proposed increases are clearly set forth in the bill for those judges for whom parliament has a legislative responsibility under the British North America Act, and require little comment except perhaps to say that an attempt has been made to fix judicial salaries at such a level as will permit the maintenance of the very high standard of our judiciary without at the same time creating any question of doubt that those who do serve in this way do so out of a profound sense of and desire for public service. Percentage or uniform increases are not being proposed. Rather, an attempt has been made to increase salaries where justified in relation to the importance of the duties and responsibilities connected with the judicial office.

• (12:10 p.m.)

In addition to the general increases we are proposing we also are making provision for the payment of an additional salary of $2,000 subject to certain specified conditions. Speaking generally, this additional sum is to be paid to all judges except those who receive from a province any annual or periodic compensation as a judge of a superior or county court. In certain provinces such as British Columbia, Alberta and Ontario, judges do receive payments in varying amounts as judges of the superior or county courts. New section 20 of clause 1 will not deprive them of these provincial payments, but if they continue to receive them they will not receive the additional salary provided by parliament. In this way an attempt is being made to equalize the salaries paid to the holders of these important provincial judicial offices. It is not easy, Mr. Speaker, to formulate the criteria by which judicial salaries should be assessed. The government have given the matter sustained consideration and have come to the conclusion that the amounts are on the whole reasonable and fair.

In addition to the salary revisions the bill deals with one or two matters that should be mentioned. We are proposing to broaden the law relating to travelling allowances. In essence, the proposed changes will permit judges to be paid their actual expenses when they travel on official business as judges, whether they travel to hold court, to sit in chambers or for any other official purpose. We are also proposing some estate tax relief for the widows of judges who receive annuities under the act. The proposed new provision is for all practical purposes the same as the one found in the Public Service Superannuation Act as amended in 1960, and the intention is to deal with the tax payable on pensions of judges' widows in the same way as pensions payable to public servants.

Finally, we are proposing to broaden the provisions of the law to make it clear that

judges can act as commissioners or arbitrators, etc., if there is either a federal or provincial statute authorizing them to do so, as well as in cases where, as at present, there is proper executive authority from the governor or lieutenant governor in council. However, judges who do undertake these special duties will be permitted to receive only their actual travelling and other expenses while away from their ordinary places of residence, if these expenses are paid by the governments concerned.

It will be seen that judges will still be permitted to engage in extrajudicial duties in proper cases, but that they will not receive anything more for doing so than they would have received had they been performing their ordinary judicial functions. The result will be that judges who do undertake extrajudicial duties cannot be accused of doing so for pecuniary motives or personal gain at the expense of their brother judges who in some cases are required to assume additional judicial burdens as a result.

Before concluding, Mr. Speaker, I should give notice that when the house comes to clause 4 I shall seek an amendment for the purpose of clarifying the provisions respecting annuities. The amendment, to put the matter shortly, will clarify the fact that the salary of the judge for the purpose of calculating the annuity includes the amount of any additional salary provided by new section 20 of clause 1.

Hon. R. A. Bell (Carleton): Mr. Speaker, next only to freedom of debate in this parliament the independence of the judiciary is the cornerstone of our Canadian democracy and our freedoms. Founded upon the Act of Settlement, the principle of judicial independence is a gift of Britain to the democratic world second only in importance to her gift of parliamentary institutions.

Judicial independence means, in my submission, simply that judicial functions should be performed in an atmosphere in which there is no hope of gain or preferment on the one hand, and no fear of punishment, intimidation, restraint, discipline or retribution on the other. The judge must be in a position where he can fearlessly uphold the law and the cause of justice without being influenced in any way by the effect of his decisions on his own personal career or fortunes. Norman Ward in the fourth edition of Dawson's "The Government of Canada" puts it rather neatly at page 449:

> The judge is placed in a position where he has nothing to lose by doing what is right and little to gain by doing what is wrong; and there is therefore every reason to hope that his best efforts will be devoted to the conscientious performance of his duty.

On the same page the learned author in one short paragraph epitomizes the Canadian concept of the judiciary, and I venture to quote this paragraph:

> The judge will thus usually begin with the twin assets of character and ability, and these become the foundation on which the indirect appeals are based. He is paid a substantial salary, which not only removes some of the obvious temptations, but frees him from financial distractions. The importance of his office is continually stressed; his own rectitude and sense of fairness are invariably assumed; the dignity of the court and the respect accorded his office are rarely, if ever, challenged; his social position is always assured. These efforts to accentuate the eminence of the office are made infinitely more effective by the fortunate regard which the legal profession has for the judiciary and its ingrained habit of regarding a seat on the bench as the crown of a legal career. Thus some of the very men who build up the tradition may be induced to accept judgeships a few years later, influenced to a material degree by the tradition which they themselves have helped to create. Not the least important result of this prestige is its effect on the public, who have come to accept it—and with some justification—at its face value, and who see in judicial independence a greater promise of justice than could be obtained through the application of ordinary political sanctions.

As I see it, the intention of this bill is to uphold and strengthen these precepts which are so clearly set forth, and in that light it must be tested. Canadians at all levels of income concede readily that judges of all courts should be paid such salaries and provided with such pensions for themselves and their dependants as will assure not only full financial independence but will be attractive to leaders of the bar to accept judicial appointment; for without financial independence other aspects of independence are illusory or hallucinatory.

It becomes a matter of judgment as to what the levels of salary must be to achieve those universally accepted objectives. For myself, I believe that if there is to be error it should be on the side of generosity. When we are in committee of the whole we can examine in detail with the Solicitor General the scale of salaries proposed by the bill, ascertain more closely than he has stated on second reading the principles upon which the figures are based, and decide then upon their wisdom. Consequently at this stage I refrain from detailed comment upon the salary levels proposed.

But I believe I should point out that there is an ever-growing problem of persuading

leaders of the bar to accept judicial appointment, particularly in the courts which go on circuit. At the age when a distinguished barrister is suitable for appointment he is not only at the height of his earning capacity, which is usually very substantial, but he has accustomed himself to the comforts of home and family. To uproot such a man and put him on circuit, say in Ontario from Kenora to L'Orignal, and require him to spend perhaps 100 nights a year in hotel rooms, not only away from his family but insulated from his former comrades at the bar with whom he dare not fraternize, is to ask a great deal in dedication and sacrifice.

For a long time I have personally believed that the circuit system is obsolete in a great province like Ontario and should be replaced by a system of judicial districts such as exists in Quebec. But this is a matter not for this parliament but for the legislature of Ontario, which I hope will soon come to grips with it. I believe the circuit system is a direct deterrent to many prospective and admirable judicial appointees. All I indicate now is that the life of a circuit judge is no bed of roses, no valhalla of unalloyed joy.

Today the earnings of leaders of the bar are high, in some cases very high. Judicial emoluments, at whatever level they may be, are unlikely to be able to match those earnings and we must rely on the fact that a large number of, if not most, lawyers conceal under their gowns a yearning for judicial preferment.

• (12:20 p.m.)

Without this sense of tradition within the bar the role of the Minister of Justice would not be easy in making acceptable appointments to the bench. Referring to high earnings at the bar, I was fascinated to read in the memoirs of the Earl of Kilmuir that when he returned to the bar after Nuremberg and after having ceased to be a cabinet minister his earnings were £38,500 per annum, and this was during the time he was a member of the shadow cabinet and took his place in the House of Commons every day. It was some accomplishment to have earned $115,000 per annum at the bar while a leading member of parliament, particularly in the light of the fact that some of us in this country, who are much lesser parliamentary lights, have been compelled to virtually give up practice at the bar in order to attend to public duties.

One aspect of this bill which concerns me is that it increases the disparity in income between superior court justices and county or district court judges. I shall speak here of the province about which I know most. County court judges in most centres in Ontario have a tremendous volume of highly diversified judicial work. It is true that some—I think only a few—are far from busy, but that is a problem for the Ontario legislature to redesign boundaries of judicial jurisdiction. However, even at this stage I urge upon the Solicitor General and the Minister of Justice that the quantum of increase for superior and county court judges be equivalent in dollar value, and that it should not widen the disparity, as this bill does. I concur in a different scale or level of salary for the two benches; I think it is proper and inevitable, but the difference should be retained, I venture to suggest, at approximately the existing level and not widened. My own opinion is that the jurisdiction of the county court judges, as opposed to the high court, will be continually increased, and that recognition should be given to that trend which is evident within this province.

I confess, Mr. Speaker, to some disappointment that the minister has not dealt in this bill with the question of pensions, except in one or two small particulars. I think the time is overdue for a full review of judicial pensions, in collaboration with the judges themselves.

I will mention one special problem. The pension for the widow of a judge is one third of the judge's pension if he dies while on pension or two ninths of his salary if he dies in office. In this day this is surely an anomaly. Personally I know of no enlightened pension scheme where the widow's pension is less than one half of the husband's. It is true that judges' pensions are non-contributory and indeed are perhaps the most significant fringe benefit of judicial appointments, but the retirement age is 75 and there may be no pension, except on the ground of ill health, under the age of 70. The retirement age at 75 reduces by 10 years the normal period of pension entitlement.

What I am suggesting to the Solicitor General is a full review of judicial pensions in collaboration with the judges themselves in the light of developments in other pension arrangements in recent years.

One of the features of the bill, which has been mentioned by the Solicitor General, is the provision of an additional salary of $2,000 to every judge who does not receive extra remuneration from the province for any extra judicial duties for the government of Canada,

for the province, or for acting as arbitrator, referee, conciliator or mediator, and the prohibition of payment to him for such duties of any additional emolument except out of pocket expenses.

My understanding is that this will not now apply in Ontario, because supreme court justices receive $4,000 per annum from the province and county court judges receive $3,500. However, to make provision for payment of an extra $2,000 to county court judges in Ontario, as I understand the section, all the legislature of Ontario would need to do is to provide that $3,500 is payable to them qua surrogate judges, as is done in Manitoba. Thereupon the $2,000 under section 20 of the bill would be payable. But that, of course, is in the discretion of the legislature of the province.

In this particular I want to state my firm objection to what I may describe as moonlighting by judges. With the new salaries proposed I believe that only in cases of greatest urgency should judges be permitted to accept outside employment. In most courts there is a heavy backlog of work, much of it created by judges accepting non-judicial assignments as royal commissioners, arbitrators, conciliators or the like. These extra judicial duties are prejudicial to the independence and impartiality of the judiciary, and should be stopped.

Indeed, I believe my friend Mr. Justice Wishart F. Spence may unwittingly have performed a great public service last year, because I believe that never again will a justice of our highest court either be asked to accept or actually accept appointment to a commission with political undertones.

Some hon. Members: Hear, hear.

Mr. Bell (Carleton): Personally I hope that never again will a justice of the Supreme Court of Canada be appointed to any royal commission at any time. You will remember, Mr. Speaker, that I have on the order paper private members' Bill C-237, which would have the effect of preventing any judge of the Supreme Court of Canada from accepting any extra judicial appointment. In arbitration, conciliation and mediation work in employer-employee relations it is exceedingly difficult for a judge to avoid being tagged as either a labour man or a company man. It is hard for him to avoid public attacks as a result of his activities. Indeed, the constant use of judges for arbitration and conciliation has, at least in the province of Ontario, divided the bench into the "haves" and the "have nots". The "haves" are those who are regularly engaged in outside non-judicial assignments at worthwhile fees, and the "have nots" are those whose talents are not sought in this field or those who on principle refuse to accept non-judicial work.

My hope is that this legislation will result in actually restricting judges to their judicial knitting. It is true that there will have to be panels of arbitrators, mediators or conciliators, but I suggest they will have to be created from the non-judicial world, from the academic world, from members of the bar and elsewhere. I suggest most earnestly that judges must be sent back to their courtrooms. If this is the by-product of these increases and of other amendments in the bill, it will be most worth-while in the national interest.

My views on the excellence of the Canadian judiciary have been frequently expressed in this chamber and I do not intend to repeat them this morning. Without necessarily approving the particular increases or the scale of increases proposed by the bill, we welcome any legislation which will strengthen the independence and impartiality of the Canadian judiciary, for thereby we strengthen the nation.

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, I rise as a lay member of the house to say that I have listened with great interest to the speech by the hon. member for Carleton I thought he was very logical in his approach to several of the problems or principles related to this bill. I must say that he almost brought tears to my eyes when he dealt with the way lawyers are required at certain times to give up very substantial incomes and sacrifice themselves for the public good for the salaries being provided under this bill. Those who do it I think should have the gratitude of members of the house and of the people of Canada for accepting great reductions in income in order to serve the people of this country.

• (12:30 p.m.)

The other point I wish to mention, Mr. Speaker, is the reference to moonlighting. As I sat here it struck a responsive chord in the members of this party who are normally used to earning their living with their hands and the sweat of their brows. I thought there was great merit in this suggestion. During my experience I have known some excellent judges who have undertaken this work of conciliation, on arbitration boards and other commissions. I do think the member was

correct in stating there was the possibility of a judge being tagged as a labour judge, a management judge or having an opinion in one direction or the other. I wholeheartedly support this suggestion that judges should not be required to undertake these extra functions.

With these few remarks, Mr. Speaker, as an ordinary, hard working man, I resume my seat.

[*Translation*]

Mr. C.-A. Gauthier (Roberval): Mr. Speaker, just a word to say that we fully agree with the hon. minister as to the increase proposed by the government.

I shall certainly not pity our judges' fate, but I want to say that they deserve salaries just as much as international sportsman and any kind of television performer.

I think that they have the most thankless job in the country and besides, we have to consider the fact that the majority of them are the greatest technicians in the country and that they play an essential role.

I should like to call the attention of the house to the appointment of some judges. If their duties are most important, I think that they should be appointed according to the duties they will have to perform. However, I will confess frankly that when we see appointed to the bench people that we used to know and hobnob with in the past and who were considered as rather poor lawyers, because of their political affiliation, it is not likely to inspire a great deal of confidence in the people, in some cases.

We want judges to get the salary they deserve, but we also want them to be equal to their task. That is why I say that appointments should be made sensibly. As a matter of fact, when appointing a judge, any government should first consider the qualifications and the honesty, of a candidate, before taking into account his political allegiance. Mr. Speaker, I trust that the situation will improve in the future.

Judges of the Supreme Court and of other courts will get a small annual increase of $5,000. This is not to be disdained; indeed, it should prompt them to carry out their duties year round instead of accepting all types of subcontracts. A judge who gets $35,000 or $40,000 per year has enough to live on, I think, especially if the new legislation provides for travelling expenses, living allowances and all kinds of exemptions. It is said that a judge needs an increase to provide for his family. I think that when a lawyer is appointed to the bench, his family is quite independent of his salary, and with $35,000 or $40,000 per annum, he can discharge his duties 365 days a year, without looking for other fees, outside his functions as a judge.

To some extent, I think this is why we seem to be short of judges, especially in our district courts. Some cases drag on for one, two, and even three years. People say: there are too many cases before the courts, judges are scarce and have no time to hear these cases. I believe, Mr. Speaker, the government should do some checking. I would be anxious to know, at the end of the year, the total number of hours each judge has devoted to his work, as compared with his salary, for I am aware that there are several judges —fortunately, several of our judges are very serious-minded—who have their duties at heart, but some others take life easily and they are not working as much as they should.

I would like to find out at the end of the year the total number of hours during which they sat and heard cases; it would be surprising. Even the government would be surprised, as far as some districts are concerned. After all, judges are being appointed to render justice to the people, to do justice to the ones who wish to appear before them, but if they devote only three, four or five hours to the hearing of cases, I believe that at the end of the month or of the year, there will be 50 or 60 per cent of the cases which will not have been heard.

I believe such a situation is due to the sluggishness on the part of judges. They care more about getting their salary—a fairly healthy one—than about hearing cases that have been entered on the roll and should be heard during the year.

I did not know exactly how many judges there were; then I see the list for Quebec, and I quote:

(a) The Chief Justice of Quebec;

(b) Eleven puisne judges of the Court of the Queen's Bench;

(c) The Chief Justice of the Superior Court;

(d) The Associate Chief Justice;

(e) Seventy-three puisne judges of the Superior Court—

I wonder why we have more judges than Ontario. I also see here the list for Ontario, and I notice that this province has fewer judges than Quebec. I do not know whether this is because people in the province of Quebec are more difficult to deal with than in Ontario, but even so the fact remains that there are 73 judges of the Superior Court in

Quebec and only 24 in Ontario. I do not know whether—

[*English*]

Mr. Bell (Carleton): Is the hon. gentleman not aware that there is no county court in Quebec?

• (12:40 p.m.)

[*Translation*]

Mr. Speaker: Order. I would suggest to the hon. member that he is now making a detailed study or analysis of the bill. The point he is raising now should be discussed when the bill is studied in committee.

Mr. Gauthier: Mr. Speaker, I only wanted to give an idea of the over-all situation, which gives rise to a question in my mind. I also wanted to point out that, generally, in spite of a larger number of judges in the province of Quebec, we get less service from them than the citizens of Ontario get from theirs. That is the point I wanted to make in order that the government might be aware of that sad state of affairs. We have much to complain about, in Quebec, with regard to certain judges.

Once again, I congratulate the vast majority of judges who really deserve their salary, for only the minority, namely 15 or 20 per cent of them, do not carry out their responsibilities. In spite of this, I believe that percentage is high enough to call the attention of the house to the situation and I trust that in the future the government will keep a lookout with regard to the work performed by the judges.

[*English*]

Mr. Robert McCleave (Halifax): Mr. Speaker, I want to make a very brief point to the Solicitor General, and my point is this. A separation recently took place in Nova Scotia with the creation of an appeal division with three judges and a trial division with six judges. At the moment nine judges replace a system which employed seven judges. The arithmetic of this change has had the effect of removing one of the trial judges, and I suggest this is something the Solicitor General and the attorney general of Nova Scotia might well wish to consider, perhaps after some consultation with the newly appointed chief justice of the appeal division, Hon. L. D. Currie, who was recently chief justice in the trial division and who would therefore be aware of the problem which had been created.

[Mr. Gauthier.]

The reason this problem is a little acute at the present time is that it frequently happens that one of the three appeal judges has to remove himself from hearing an appeal because of his involvement in the case when it came on for trial. There are also other reasons why one of the members of a three man appeal court may feel he should not be sitting on a certain appeal. This can be remedied by bringing up a judge from the trial division to fill in on a temporary basis and hear the appeal, but this has the effect of putting more pressure on the judges of the trial division. I think this is a matter the Solicitor General and the attorney general of Nova Scotia should consider, I suggest in consultation with the chief justice of the appeal division and other judges as well.

I should like to make a further point, one which has been made several times and made very well by the hon. member for Carleton. There is a group of judges who do not partake of extra-judicial functions such as sitting as conciliators, mediators and the like, and this has created the rather awesome burden of trying to keep the court calendars and trial work up to date.

I suggest, Mr. Speaker, that we seriously consider that judicial independence of judges means much more than financial independence. It should also mean that none of them is put in the position of carrying such a work load that his ability to deal properly with cases is impaired because there is simply too much work to do.

Motion agreed to, bill read the second time and the house went into committee thereon, Mr. Rinfret in the chair.

On clause 1—*Salaries of Judges of Supreme Court of Canada.*

Mr. Bell (Carleton): Mr. Chairman, I wonder whether the minister would now elaborate briefly on the principles which were adopted by the government in reaching the scale of increases set forth in this clause. While he is doing this would he also deal with the other point I made, which concerned the increasing disparity between the salaries of supreme court judges and county and district court judges.

While I am on my feet I might say to the hon. gentleman for Roberval that if he will examine the bill he will find there are 118 federal judges in the province of Ontario and 88 federal judges in the province of Quebec. What I think the hon. gentleman did not appreciate was that in the province of

Quebec there are no county courts. He will find that there are 83 judges in the county courts in Ontario, which with 35 supreme court judges brings the total to 118 federal judges, whereas in the province of Quebec there are only the superior court judges totalling 88 in number.

Mr. Pennell: Mr. Chairman, before dealing with some of the questions raised by the hon. member for Carleton I wish to compliment him on the eloquent address he made, and to concur in general with his remarks about the judiciary and the sacrifices they make in accepting an appointment to the bench. The hon. member mentioned the case of Lord Kilmuir, and that Lord Kilmuir while a practising member of the bar was earning $115,000 per annum. The recent increase in the salaries of high court judges in the United Kingdom brings the salary of a high court judge up to $30,000, which confirms the point made by the hon. member.

As I stated earlier, Mr. Chairman, it is not easy to formulate the criteria by which judicial salaries should be assessed. It is not done on a percentage basis or by an across the board increase. We try to even it out according to the responsibilities of the office. The supreme court judges will receive between $28,000 and $30,000, depending on the province in which they serve. This compares with the figure of $30,000 in Great Britain I mentioned a moment ago.

So far as the county court and district court judges are concerned a difficult problem arises. The salaries paid county court judges under provincial legislation are such that in some provinces the additional salary is caught by clause 20 while in other provinces it is not. In other words, Mr. Chairman, the salary paid by the provinces in some cases is free from the deduction of $2,000.

Perhaps I may put it in another way. I believe that in some provinces the county court judges will receive, over and above anything that is paid to them under the federal statute, the amount paid to them under the provincial statute. In other provinces they will have to forgo the amount paid to them under the provincial statute if they accept the full amount under the federal statute. So no matter what course we adopted we were still going to have disparity in the salaries of county court judges across the country.

I did have the pleasure of meeting with a number of representatives of the county court judges, Mr. Chairman, and I appreciate the problem. I suggested at the time that I enter into private consultation with the attorneys general of the various provinces to see whether the provincial legislatures will consider amending their statutes to enable the federal government to bring uniformity to the salaries of county and district court judges. On reflection I would say, with respect, that this seems to me perhaps to be the most desirable way in which to approach this rather difficult subject.

The hon. member for Carleton also raised the point about pensions and with genuine concern suggested we should be a little more generous in this connection. The government was perhaps a little reluctant to move any further under this bill, because in fairness I think the pensions of all public servants should be considered and given equal study before any action is taken. There has been study of this point from time to time.

• (12:50 p.m.)

On the question of extrajudicial duties, I think this meets the point the hon. member has in mind, namely that the members of the judiciary should concentrate on the discharge of their official duties rather than on extrajudicial activities. The act does permit judges to undertake extrajudicial duties if provision is made on in a statute of the legislature or of parliament, but they can only be paid in respect of those duties if remuneration is made available by the provincial or federal government.

I believe the hon. member for Carleton dealt effectively with the question raised by the hon. member for Roberval. As he pointed out, in the province of Quebec the superior court judges discharge many of the functions which are performed by county court judges in Ontario. In addition, magistrates in Quebec perform some of the duties performed by county court judges in Ontario. So the number of persons engaged in judicial functions is relatively the same per capita in these provinces.

I should like to take this opportunity to express my gratitude for the devotion and sense of public service with which the judges in Quebec and elsewhere are discharging their duties.

I believe I have answered most of the questions which were raised, but if there are some I have overlooked—

Mr. McCleave: Yes. I did ask a question which the minister has not dealt with.

Mr. Pennell: I apologize to the hon. member for Halifax; I overlooked the point he made. I find merit in the suggestion he put

forward, and I think it would be proper that the Minister of Justice should consult with the attorney general of Nova Scotia with regard to it. I will bring this matter to the attention of my colleague and urge it upon him.

Mr. Bell (Carleton): I am not sure the minister has dealt effectively with the point I made about the disparity between salaries paid to supreme court and county court judges in the province of Ontario. The position, as I understand it, is that both receive an amount from the province, so neither bench would be entitled to draw anything under clause 20, the extra $2,000, unless the legislature amends the existing legislation.

The position is that the supreme court judges draw an amount of $4,000 from the Ontario legislature, and the county judges get $3,500. The addition of these amounts to the amounts proposed in this bill would mean that the supreme court judges would receive a total of $30,000 and the county judges $22,-500. This in fact increases the disparity between the two benches; there is an increase of $5,000 for the supreme court and $3,000 for the county court. This represents a widening of the disparity, whereas in my opinion the reverse should be the case. I am not sure that the Solicitor General and the Minister of Justice have dealt as generously with the county judges, relatively, as they should have done in the circumstances.

I understand that the minister intends as a concomitant to introduce an amendment whereby pensions will be based upon an amount including the $2,000. In cases where these judges are receiving sums from the province they will not be entitled to a pension based on the $2,000, and I suggest this is a serious factor. In my opinion the minister should give more consideration to the position of the county court judges.

Mr. Pennell: I appreciate the point made by the hon. member for Carleton. Perhaps I can elaborate on the question. Supreme court judges in the province of Ontario receive, as I understand it, an additional $4,000 from the province for performing their duties as high court judges. The county court judges receive from the province $3,500 and, if I am correct, this covers their duties as surrogate court judges. I respectfully suggest that if the provincial act was drafted so that they received say $2,500 as surrogate court judges and $1,-000 for county court duties, the $2,500 set aside for surrogate duties would not be caught by the clause we have been considering. This would be an effective way of bringing the salaries of Ontario county court judges closer to those of high court judges.

If we were to adopt any other approach it would mean that in provinces where the provincial statute is drafted so that the amount paid is not caught by the provisions of clause 20, the county court judges in that province would be receiving an amount much closer to the supreme court scales than in other provinces, and we would still have the problem of disparity.

Mr. Bell (Carleton): The point is that at the present time the total dollar income of a county court judge in Ontario including the federal payments and the provincial payments is $5,500 lower than that of a supreme court judge. Under this legislation it will be $7,500 lower. The minister has been thinking more in terms of percentages than in terms of amounts, and I rather think he should have worked on the basis of amounts.

Mr. Baldwin: The hon. member for Carleton said most of what can be said when he spoke on second reading. No better proof of his eloquence could be forthcoming than the admission by the hon. member for Kootenay West that my hon. friend had brought tears to his eyes. This, I thought, was impossible because in the years during which I have been observing the hon. member for Kootenay West, it seems to me he had surely shed all the tears it was possible for him to shed.

I wish to touch on this distinction between county or district court judges and supreme court judges. My view is that the situation in Quebec is far better than it is in other provinces. I have always felt there should not be the present distinction. There is often an inclination among some people to measure the quality of justice which litigants receive by the extent of the jurisdiction possessed by the judges, and sometimes this involves the question of salaries. One of the difficulties the Solicitor General faces is that the extent of a judge's duties is fixed largely by the provincial legislatures. It is my feeling that this might be the subject of discussion at a conference of attorneys general looking toward the removal of the barriers which now exist.

As a solicitor I have sometimes raised the amount of a statement of claim by a thousand dollars so as to get a case from one court into another. This is frequently done. Surrogate court work and the handling of estates are matters for the provinces. They might wish

eventually to appoint their own people to handle these matters, as they have done by the appointment of masters in chambers in some districts.

The Deputy Chairman: Order. I am sorry to interrupt the hon. member but pursuant to an order of the house made last Monday this committee stands adjourned until two o'clock?

SITTING SUSPENDED

SITTING RESUMED

The committee resumed at 2 p.m.

The Chairman: Order, please. The hon. member for Peace River.

Mr. Baldwin: Mr. Chairman, before this committee in its infinite wisdom decided at one o'clock there were better places for hon. members to spend their time than in committee, I had been dealing with the distinctions between supreme court and country court judges. I said that I admired the system prevailing in Quebec where there is no distinction between judges. There superior court judges deal with matters which in other provinces are divided between supreme court and county court judges. It is for the provinces and not for the federal government to say how the courts shall be organized and how they shall deal with their work. I hope that at some time this subject may be discussed at the meetings which take place between the Solicitor General, the Minister of Justice and the Attorneys General. I think it is desirable that the ultimate objective of having no distinction between judges be achieved.

While we are not allowed to say what proceedings have taken place in committee it is no secret that in the joint committee on divorce where we have been considering proposed changes in our divorce laws most of the briefs which have been presented and made public have shown the wisdom of conferring the right to dissolve marriages on county, district and supreme court judges. As work piles up it will be most desirable to bring together under one judge the jurisdiction of supreme court and district court judges, leaving the provinces free rein as to the way estate and surrogate work and debt collection are handled.

Another point I wish to talk about is dealt with in clause 1. I refer to the payment of the additional $2,000 which is to be included in the new section 20 of the Judges Act. New section 20 in part reads as follows:

—an additional salary of $2,000.00 per annum as compensation for any extra-judicial services—

I take it that the extra work referred to is extra work which the judges will perform as judges. I also take it that this follows the recommendations made over a number of years by the public accounts committee. For a number of years that committee, during examination of the Auditor General's report, has commented about supreme court, county and district court judges having been assigned to extrajudicial duties as conciliators, members of arbitration boards and so on. They have received $40, $50 or even $100 a day, ostensibly earmarked as living and travelling expenses. I feel that these payments have contained an element of remuneration. The view that the Auditor General and the public accounts committee have consistently taken for four or five years is that payments of this kind do contain an element of remuneration. Both the persons who received this money and the government which approved payment thereof would therefore be in direct violation of the Judges Act as it then stood, because that act provides that apart from his salary no judge should receive any remuneration.

• (2:10 p.m.)

During the hearings of the committee we had the pleasure of having the deputy minister of justice appear before us to give us his view, but quite frankly I might say that we were not satisfied. However, as I understand it this clause will now cover that situation. It was not that we objected to judges receiving these payments but rather that we objected to their receiving them in the way in which they did, since they contain an element of remuneration. There is ample justification for them. It has been brought to our attention that in some cases judges who have received such payments have filed income tax returns in which they included a portion of the $60 or $100 a day they had received allegedly as living allowance. In their income tax returns they included part of these amounts as income.

I think this provision brings to an end a very undesirable situation. As the hon. member for Carleton pointed out, a distinction was created between judges because while some judges engaged in this type of work and received very substantial additional remuneration their colleagues on the bench were compelled to carry out most of the judicial duties.

Therefore an additional arduous burden fell upon some judges because of the absence of some of their colleagues who were engaged in these other duties.

For this reason I hope the Solicitor General will confirm that this provision does take care of the objection which the Auditor General and the public accounts committee have expressed over a number of years. I hope that the attempt to introduce what can only be described as an element of remuneration in the living and travelling allowances of judges engaged in extrajudicial duties will now cease.

Mr. Pennell: Mr. Chairman, first I should like to say that I concur with the hon. member for Peace River that there is a trend toward a division of judicial duties as he suggested. I am also pleased to be able to confirm his understanding of the purpose of this bill regarding payment to judges who are engaged in extrajudicial duties.

Mr. Leboe: Mr. Chairman, before this matter is dealt with by the committee of the whole I should like to ask the Solicitor General whether he does not feel the time has come when methods of appointment to the judiciary other than the one now followed should be seriously looked into. It seems to me that in his eloquent words this morning in connection with the judiciary the hon. member for Carleton might have included the fact that judicial appointments usually are made from those persons who happen to be friends of the government in office at the particular time. Although it may be said that one does not know whether a certain person is a friend of the government, I still say that in terms of practical politics we know what the score is. Perhaps the Solicitor General might indicate what he thinks might be a suitable alternative to appointments to the judiciary almost always being made from among those who are friendly to the government.

I am not a lawyer but from a logical point of view I certainly agree with the hon. member for Peace River that it does seem that some steps should be taken to ensure that the divisions existing in some of the provinces so far as the judiciary is concerned are eliminated so that a direct allocation of service can be made in respect of the judiciary. This might be spelled out and specified more clearly so that the members of the judiciary might be able to give better service to the general public.

[Mr. Baldwin.]

Mr. Pennell: Mr. Chairman, the hon. member has raised what one might almost call the annual question which comes before the house whenever we are dealing with matters related to the judiciary. Without in any way reflecting upon what considerations may have entered into the appointment of judges before I assumed any responsibility in that regard, I wish to assure the house that the number one consideration to my knowledge has been the experience, character and learning of the person who is appointed to the bench. I would be less than frank, however, if I said there were no other considerations, but I wish to emphasize that to the best of my knowledge the primary considerations have been the character and learning of the individual. I might go further to indicate that in my experience inquiries have been discreetly made about the individual concerned and as to whether or not he has ever been before the dicipline committees of the various law societies. Generally speaking the person who is appointed has been endorsed by a bencher or other high ranking member of the Law Society. The Law Society, after all, includes persons who have the best knowledge in this regard, and is the governing body of the legal profession in the respective provinces. I suggest to the hon. member that the Minister of Justice is performing his duties in this regard in a very able manner.

While I am on my feet I might be permitted to advise the committee that I seek to amend clause 1 of the bill. First of all, on page 5 of the bill I would seek an amendment to new section 19. Where it now reads in subsection (e) of new section 19, "Seventeen judges and junior judges of the county courts", it should read, "Eighteen judges and junior judges of the county courts". This is applicable to the province of British Columbia. Since the preparation of this bill an additional judge has been added to the number of county court judges in the province of British Columbia. I believe the house carried the resolution the other evening. The text of the amendment I should like to have made is printed at page 13 of *Votes and Proceedings* of February 21 last. I would ask that this amendment now be put.

Mr. Sharp: I so move, Mr. Chairman.

Mr. Pennell: I apologize to the house for not having copies of this very minor amendment.

• (2:20 p.m.)

Mr. Leboe: Mr. Chairman, I should like to get back to the question I raised a moment ago. While I very much appreciate what the Solicitor General has said about the care with which members of the judiciary are picked, my concern is about the limited scope in practice in picking these individuals. I believe we are limited in scope by the practice of looking for those who are friends of the government. I hope the government will give serious consideration to finding a different way of selecting the judiciary. We would be burying our heads in the sand if we did not realize in spite of the eloquent speech of the hon. member for Carleton, that there is a great deal of dissatisfaction about these appointments because of the suspicion that surrounds the way in which members of the judiciary are appointed.

I believe that not only should the judiciary be, as I believe they are, very capable and honest individuals doing a good job but they should be appointed in a way that would leave them beyond suspicion. I think this is one of the things the government should look into in order that our judiciary will not be suspect because they belong to a political party and because a friend of the government secured their appointment over someone else who was just as competent but was not a friend of the government.

Mr. Pennell: Mr. Chairman, the only reply I can give is that to my personal knowledge there have been two appointments to the bench since I have been a member of the government where the appointees were not, in the words of the hon. member, friends of the government. I admit frankly, as I said earlier, that there are other considerations that enter into these appointments.

While I am on my feet, Mr. Chairman, if I may ask the indulgence of the committee I should like to propose another amendment, unless the previous amendment has not yet been dealt with.

The Chairman: Perhaps the Chair should first put the previous amendment to the committee. Is the committee ready for the question?

Some hon. Members: Question.

The Chairman: Shall the amendment carry? Amendment (Mr. Sharp) agreed to.

Judges Act

Mr. Knowles: Mr. Chairman, may I say a word on clause 1 generally, although part of what I had in mind to say has perhaps been covered. First may I note that when the hon. member for Cariboo was speaking a little earlier this afternoon he used a phrase and then added a couple of words as an afterthought. The phrase referred to "men", and then he said "or women"; that was the afterthought. I should like to ask the Solicitor General, how many of the judges whose salaries we are providing for in this bill are women?

Mr. Pennell: Mr. Chairman, I am in the unenviable position of not being able to give an answer to that question. I know that the county court judge of the county which I have the honour to represent in this house was a lady but unfortunately she retired for health reasons not very long ago. I am not aware at the moment of any woman sitting on the bench in Canada.

Mr. Rapp: Yes, in Saskatoon.

Mr. Pennell: I am not aware of any woman sitting on the bench in Ontario. But I am advised by my colleagues that in respect of other provinces there is at least one county court judge, namely in Saskatchewan.

Mr. Rapp: In Saskatoon.

Mr. Grafftey: This is a question for the royal commission.

Mr. Pennell: However, Mr. Chairman, I am not answering the question of the hon. member, who asked me how many of our judges are women. I am not able to give him an answer.

Mr. Knowles: Let me put it this way, Mr. Chairman. Does the Solicitor General know of any judge of any court higher than a country court who is a woman?

Mr. Pennell: I cannot give a single instance of a woman sitting on the superior or supreme courts of this country.

Miss LaMarsh: Mr. Chairman, I may be able to help my hon. friend. There has never been a woman superior court judge appointed in Canada; indeed, there has been only one in the entire commonwealth and that is in the United Kingdom. There is at the present time one county court judge, Judge Mary Batten, in Saskatchewan.

Mr. Rapp: And Judge Mary Batten is a very capable judge.

Miss LaMarsh: Judge Mary Batten was appointed by this administration and she is only the second woman in Canada to be so appointed. A woman was appointed to the position of citizenship court judge in Halifax. She was also appointed by this administration.

Mr. Knowles: Mr. Chairman, I am afraid the Secretary of State has revealed sensitivity on a point that was not in my mind at all. I was not raising the question of how many appointments of women had been made by the present administration; I was asking this question in general terms having in mind the whole history of the country. I suppose all I can say with respect to the embarrassing position in which I have put the Solicitor General is, page Ann Francis.

Miss LaMarsh: Hear, hear.

Mr. Knowles: I should like to ask one or two more questions, if I may, though it may be that one of the questions I have in mind was covered in the answer the Solicitor General gave to the hon. member for Peace River. As the Solicitor General knows, I am sure, there is on page 38 of the current Auditor General's report a section which deals with the question of living allowances paid to federally appointed judges. Does the Solicitor General consider that the changes he has made in this bill take care of the problem about which the Auditor General has made his complaints?

Mr. Pennell: Mr. Chairman, perhaps I can best answer the question by giving a very brief explanation of what is covered by this bill. Under this bill a judge will be permitted to perform extrajudicial duties but he will only be paid for his travelling and out-of-pocket expenses. He will not receive any additional remuneration; he will continue to receive the same salary he would have received had he been performing judicial duties. I believe that meets the point raised by the hon. member.

Mr. Knowles: To put it in specific terms, Mr. Chairman, the Auditor General complained about rates of living allowances from $50 to $100 a day. Of course, the complaint was that there seemed to be an element of remuneration in an amount of that quantum, to use the language of the lawyers. When the Solicitor General says that from now on there can be paid only the actual out-of-pocket living and travelling expenses, does he mean that these flat allowances of $50, $60 or $100 a day, which were included in some of the orders in council appointing judges to special assignments, will be discontinued?

• (2:30 p.m.)

Mr. Pennell: That is my understanding.

Mr. Knowles: Mr. Chairman, I have one other question and it also arises from the Auditor General's report. On page 39 of the report for the fiscal year ended March 31, 1966, there are a couple of paragraphs concerning admiralty courts. I should like to read a sentence or two starting with the second paragraph:

> An examination during the year of all of the Admiralty courts disclosed a number of weaknesses in administration, including inadequate records, intermingling of federal and provincial funds, retention of the interest earnings by some of the registrars, fees improperly paid to the provinces, etc. Our report to the Department of Justice pointed out the need for more careful definition of the financial arrangements for these courts and for the establishment of adequate financial records. These matters are now under study by the accounting advisory service of the comptroller of the treasury.

I should like to ask the Solicitor General whether this matter is also being taken care of by the Department of Justice?

Mr. Pennell: Mr. Chairman, I believe that effect is being given to this recommendation as it is only in three provinces that the salaries of admiralty district judges are being increased. They are unchanged in the other provinces. It would therefore appear that the department is looking at the duties being performed by the various admiralty district judges and acting accordingly.

Mr. Knowles: I think that the criticism of the Auditor General goes a little further in that it relates to the administrative practices of these courts. I do not wish to embarrass the Solicitor General with facts with which he may not be intimately familiar, but perhaps he will ask his officials to take note of these paragraphs in the Auditor General's report.

Mr. Pennell: I will do so, Mr. Chairman.

Mr. Muir (Cape Breton North and Victoria): Mr. Chairman, I just want to take a few minutes of the committee's time to refer briefly to remarks made by the hon. member for Cariboo. First of all I wish to point out that I am not a lawyer and up to the present time I have not found it necessary to employ one to defend me. Of course I do not know how long that will last. However, the point I wish to make centres around the word

"suspicion" mentioned by the hon. member for Cariboo in reference to appointments to the judiciary. I do not think that is a very good word to use. Frankly I do not know why it should be used.

An hon. Member: Do you wish to use a stronger term?

Mr. Muir (Cape Breton North and Victoria): I certainly would not refer to the judiciary in stronger terms or in any really critical terms because I have always had a very high respect for the men who serve that profession in Canada. I do not understand these people who wrap themselves up in white robes of purity and say that judges are suspect. For instance, only recently in Nova Scotia Mr. J. L. Dubinsky, Mr. Gordon S. Cowan and Justice L. D. Currie received new appointments in the judiciary. These men worked very hard and for many years, possibly for the Liberal party. I do not see anything wrong with that. They are entitled to their way of thinking. Are we to eliminate from politics all people who are lawyers? However, I do admit that there may be too many of them in the house. Are we to keep all lawyers away from politics and prevent them from working for political parties? What wrong is there in a lawyer working for a political party? Certainly the men whom I have mentioned, because their appointments have taken place in recent days, are all distinguished men who have served their country well, particularly chief justice L. D. Currie.

Let us take the case of the Solicitor General himself, to my mind one of the finest and most capable men that ever held that position in Canada.

Some hon. Members: Hear, hear.

Mr. Muir (Cape Breton North and Victoria): I am sure that he is appreciated by all parties. He presents himself well both inside and outside the house and he is most co-operative and courteous at all times. Should we say that because of the fact that he served his party and served as a minister in the government, when the day comes when he no longer holds his office he will be suspect?

Mr. Leboe: I object to that, Mr. Chairman.

Mr. Muir (Cape Breton North and Victoria): I believe I have the floor.

Mr. Leboe: Mr. Chairman, I have a question of privilege. I object to having the hon. member put words in my mouth. I said no such thing. I suggested that the general public regard certain things with suspicion, which is the privilege of any individual no matter what his status may be. He has the privilege of regarding with suspicion anything he wants. To say that this situation does not exist does not accord with the facts.

Mr. Muir (Cape Breton North and Victoria): I do not profess to be as brilliant as you are Mr. Chairman, but I am wondering what the question of privilege is.

Mr. Leboe: You did not hear what I said.

Mr. Muir (Cape Breton North and Victoria): I regret I aroused the ire of the generally quiet and considerate hon. member for Cariboo and I certainly apologize, but of course if the hat fits he can wear it.

I think what I have said bears repeating. From time to time we hear that so and so is suspect because he works for the Liberals or for the Conservatives. What is the crime in doing that under our system of government? What is wrong with it?

Mr. Leboe: I never said there was anything wrong with it.

Mr. Muir (Cape Breton North and Victoria): If this is the case then every member here is suspect, whether he is a lawyer or a coal miner, because he may be appointed to a higher place at some time.

Mr. Winkler: Some may be more suspect than others.

Mr. Muir (Cape Breton North and Victoria): However, to speak more seriously, I will say that I have every respect for the judiciary of this country regardless of whether they were appointed by the previous Conservative government or by the Liberal government. I believe that no reflection should be cast on the judiciary.

There may be the odd occasion when a problem arises but after all judges are human beings just the same as any other person. I am sure that if you explore any party, fraternal organization, service club or church you will find people who are not acting in the way they should. Once again let me say that when the day comes that the present Solicitor General ceases to hold his office, surely the fact that he was a Liberal cabinet minister and served his party and the country well will not prevent him from receiving any type of appointment in the judiciary. Of course I am not buttering him up because I am trying

to get something out of him as there is very little that he can do for me or my constituency. If he were the Minister of Public Works or the Minister of Transport I might be doing so, but this is another matter.

Mr. Bell (Carleton): I understood the Solicitor General intended to propose an amendment. This may be an appropriate time for him to do so.

Mr. Pennell: Thank you, Mr. Chairman. First of all I wish to say that I thank the hon. member for Cape Breton North and Victoria for his generous remarks. I should say, with sincerity, that if the illustration had been left to me I could have looked across the floor of the house and picked better examples.

I should like to move an amendment which reads as follows:

That clause 1 of Bill C-267, An Act to amend the Judges Act, be amended by adding thereto the following subclause:

(3) Sections 4 to 7 and sections 9 to 19 of the said Act as enacted by this section shall be deemed to have come into force on the 1st day of March, 1967.

• (2:40 p.m.)

The purpose of the amendment is to permit judges who retire between March 1 and June of this year to have their pensions calculated on the increased salary. In the case of a county court judge it would be $19,000 but it would not include the additional $2,000 which is established by the new section 20.

Mr. Fairweather: May I ask if this provision would assist the widow of the late chief justice of Nova Scotia with her pension? I hope it would.

Mr. Pennell: I regret to advise the hon. member that it is my understanding it would not. It would only cover those who retire between March 1 and June 1. There has to be a cut-off period, and whatever period is chosen it works to the disadvantage of some otherwise deserving individual. This is an unfortunate fact of life.

Mr. Sharp: I so move.

The Deputy Chairman: Shall the amendment carry?

Amendment (Mr. Sharp) agreed to.

Mr. Bell (Carleton): There are two matters I should like to mention. The minister has by his amendment taken care of the increase in the number of judges in British Columbia. Doubtless he will have observed from the morning newspaper that first reading was given yesterday in the legislature of Ontario to a bill to increase the number of judges of the high court to 26. Does the minister think he might take judicial notice of the legislation and perhaps seek an amendment now so we would not have to come back to this matter on another occasion? We would be prepared to have the resolution adopted by unanimous consent to cover the particular situation.

The other situation is that this proposed new section 20 has been exempted from the amendment just carried. Will the minister indicate why he has chosen the 1st day of June, 1967 as the operative date for the proposed new section 20?

Mr. Pennell: If I may deal with the last question first, Mr. Chairman, the date of June 1 was selected to give the judges an opportunity to make an election as to whether they preferred to receive the additional salary under new section 20 or reject it and accept the allowance from the province. This date also permits the provinces a period in which they may revise their own legislation if they so desire dealing with the point raised earlier in the debate.

In so far as the first point is concerned, I am grateful for the spirit of co-operation manifested by the hon. member for Carleton. If I am hesitant about accepting his suggestion, it is only because I am not satisfied that all the steps have been taken in connection with the provincial legislation. It might be somewhat presumptuous on our part to take steps here when there are still certain formalities to be cleared in the provincial legislature. I do appreciate the offer of co-operation.

Clause as amended agreed to.

Clauses 2 and 3 agreed to.

On clause 4—*Regulations re payment of inheritance taxes, etc.*

Mr. Pennell: I seek to make an amendment to clause 4. The amendment I seek would mean that the present proposed new section 30 in clause 4 would be renumbered new section 30A and there would be a new proposed section 30 which would read as follows:

30. For the purposes of the provisions of this act respecting annuities, there shall be included in the salary of which a judge was in receipt under this act at any time after the coming into force of section 20, the amount of any additional salary provided for by that section whether or not at that time such additional salary was being paid to him.

Then, of course, this would be followed by the renumbering of the present proposed section 30 as 30A. The purpose of the amendment is to clarify the fact that the pension of a judge will be calculated on his salary, including the additional salary that is paid to him under new section 20. If I may use an illustration, because the basic increase is $3,000 a county court judge will receive $19,000. Then, according to new section 20, he will be paid an additional $2,000 which will bring his salary up to $21,000.

Since certain provinces are paying their judges an additional salary the judge has to make an election. Either he accepts the $2,000 under this provision or he accepts the additional salary payable under the provincial legislation. The county court judge would receive the basic $3,000 increase bringing his salary to $19,000. I would expect that most of them in Ontario would prefer to accept the $3,500 from the province rather than the $2,000 provided under the new section 20. This would bring their gross salary up to $22,500. However, their pensions will be calculated on $21,000 so that every county court judge in Canada will have his pension calculated on the common figure of $21,000. This amendment was introduced because there was some doubt expressed whether it was clear the additional salary of $2,000 was included in the amount for calculation of pension.

Mr. Bell (Carleton): I gather from what the minister has said that if this amendment were not introduced there might be a difference between the judges in one province and another. In one province the calculation could have been on the basis of $21,000 and in another province it could conceivably have been on the basis of $19,000. This amendment will make the basis of calculation uniform across the country.

Mr. Pennell: The hon. member for Carleton has put the matter succinctly.

Mr. Sharp: I so move.

Amendment (Mr. Sharp) agreed to.

Clause as amended agreed to.

On clause 5—*Acting as commissioner, etc.*

Mr. Fulton: I should like to come back to the general matter of the acceptance by judges of appointments to extrajudicial functions. I fully support the position taken in this matter by the hon. member for Carleton and I certainly support any moves such as are reflected in this bill to discourage the acceptance by judges of appointments to non-judicial functions. However, I do not believe the bill goes far enough. Accordingly I have an amendment to offer to clause 5 which I think would carry this provision a further step along the way.

The general arguments against acceptance by judges of appointments to extrajudicial functions have been made already, so I will not do more than summarize them. They are first, that with the pressure of litigation and business which is properly the function of judges this practice imposes an extra burden on those judges who do not take such appointments. It is also unfair to litigants when delays occur because judges are not available to dispose of their cases.

• (2:50 p.m.)

An equally undesirable result is that the way we have been inclined to appoint judges to boards and commissions—I use the word "we" advisedly; I am not singling out any government—has brought them into political controversy and has lowered the standing and reputation of the bench. The outstanding example, of course, has already been referred to by the hon. member for Carleton, the inquiry of which Mr. Justice Spence was appointed commissioner. But there are other cases where we have been all too prone to appoint judges as chairmen of conciliation and arbitration boards and to make appointments of the kind where the judge in question is bound to be criticized by one or both parties to a dispute. In addition, where awards are bound to come back to parliament or to one of the legislatures and be subjected to political controversy or political settlement, judges are brought into relationship with the parties in a role they should not have, and also inevitably into the centre of political dispute.

I feel very strongly, Mr. Chairman, that both the federal and provincial authorities should be precluded from so appointing judges. I remember that when I was minister I said to myself that I would not do it, that I was opposed to it in principle, but without a legislative prohibition the pressure—if you like, the habit—was such that I was not able to resist the trend as successfully as I had intended and as I had hoped. I am quite satisfied that whatever may be the approach in principle on the part of the Solicitor General and his colleague, the hon. gentleman will also be unable to resist the pressure

unless there is a stronger legislative prohibition than the one presently contained in the bill.

Clause 5 actually proposes, in my view, a weakening of the restraint on the appointment of judges to this kind of function because it removes the requirement that the consent of the governor in council of Canada be obtained before a judge can accept such an appointment. While not a prohibition, it provided at least some restraint. I think that we should in fact go further, and provide that neither federal nor provincial levels of government may make this kind of use of members of the judiciary unless the appointment is specifically authorized by a statute of the federal parliament or one of the provincial legislatures. I do not think there should be the discretion which this clause still contemplates leaving to the governor in council or lieutenant-governor in council in making an appointment even though the appointment in question may not be authorized by statute.

If you amend the bill to prohibit appointments without specific statutory authorization in the first place, you would have the protection of inertia; you would have to introduce legislation to authorize an appointment. It would of course be possible to amend the labour code here and in the provinces, but this would be subject to the natural disinclination to introduce legislation into busy legislative assemblies.

In the second place, the attention of the members of the legislatures would in each case be directed to the propriety of authorizing judges to serve in the capacity which the legislation might contemplate. I would hope and expect that the legislators in both provincial and federal parliaments would accept the principle that except in special and rare cases judges should not be asked to assume duties which are not part of their ordinary judicial function, and for the reasons I have outlined; so that they would look critically at any such proposed legislation.

There is one particular aspect of this matter that I want to mention. It is frequently said, at times when this principle is being discussed and the point of view I have put forward is under consideration, that it would be very difficult to carry on the process of labour conciliation and arbitration unless we had judges available to serve as chairmen of arbitration and conciliation boards. I think, Mr. Chairman—I hope the minister will agree with me, and I think the members of the committee will—that in the present atmosphere it has become quite evident that the bench is indeed being brought into disrepute because of the dislike of labour unions in particular for the kind of decision which is given in these adjudications. We now have labour leaders declaring they have no confidence in the impartiality of the bench. That is a statement which, of course, I absolutely reject. There is no foundation for it; but it is symptomatic of a very undesirable situation and is proof positive of the fact that because of the use being made of the judiciary in these extrajudicial functions the bench is suffering a loss of reputation, of regard and of stature in the community.

[Mr. Fulton.]

Therefore, Mr. Chairman, I think it becomes an inescapable and an urgent responsibility of this parliament to act to prevent any further development along those lines. I think it is incumbent upon this parliament and this government, as well as upon provincial legislatures, instead of following blindly this pattern of reaching out and asking judges to accept this kind of appointment, rather to build up a panel of permanent chairmen within the cadre of the labour departments, both federal and provincial, who will be available for appointment at a moment's notice as chairmen of conciliation and arbitration boards. In this way we would establish a group of people who will acquire an expertise and a skill in the issues involved in industrial disputes and who will have the confidence of both sides to such disputes.

This would be a most important and I think essential beginning toward a system of having not only chairmen of arbitration boards available but of building up a permanent judicial process for dealing with labour disputes. It would be a judicial process although not part of the present court system. Indeed, I think labour disputes should be dealt with by a separate judicial process which would have the confidence from the outset of both sides to disputes and would also have the result that adjudications would protect the interests of society as well.

For these reasons, Mr. Chairman, I think it is essential that we now make a firm legislative prohibition against the appointment of judges to these kinds of functions, and I therefore move:

That clause 5 of the bill be amended as follows:

1. By deleting from the proposed section 38 (1) (a) the words "or he is thereunto appointed or so authorized by the Governor in Council" where they appear in lines 24 and 25;

2. By deleting from the proposed section 38 (1) (b) the words "or he is thereunto appointed or so authorized by the Lieutenant-Governor in Council of the province" where they appear in lines 29 to 32;

3. By adding the following as subsection (2) of section 38:

"(2) This section does not apply in any case where a judge was appointed commissioner, arbitrator, adjudicator, referee, conciliator or mediator before the coming into force of this section".

As you will appreciate, Mr. Chairman, the effect of the first part of the amendment would be to take out the power otherwise expressly reserved to the governor in council to appoint or authorize the services of a judge in these non-judicial capacities. The second part would remove the similar authority given the lieutenant-governor in council of a province. So unless the appointment were authorized with respect to matters within federal jurisdiction expressly by a statute of the parliament of Canada, a judge could not be appointed, or in the case of matters within provincial jurisdiction, if my amendment carries such appointment would have to be expressly authorized by a statute of the legislature. It would not be open to the governor in council to exercise a discretion and to reach out and make an appointment of a judge to a conciliation or arbitration board unless the appointment was so authorized by statute.

The effect of the third part of the amendment would be simply to preserve the appointment and authority of any judge who had been appointed before the amendment comes into effect. I would not want to go so far as to render nugatory anything that had been done under an appointment that was hitherto legal. The effect of the amendment, therefore, would be that when presently appointed judges have completed their work no such appointment could be made in future unless expressly authorized by statute.

• (3:00 p.m.)

I hope the minister will accept the spirit and purpose of the amendment. There may be some technical flaws in it. If there are and if he will point them out to me, I will be glad to accept modifications which achieve the purpose sought. But I believe it to be clear and acceptable in principle that judges should not be allowed to accept these appointments unless they are specifically authorized by a statute of the parliament of Canada or of the provincial legislatures.

Mr. Pennell: I appreciate the spirit in which the amendment is proposed. As I understand it, the purpose is, first of all, that the time of judges should be conserved by ceasing to employ judges in non-judicial capacities and, in the second place, that judges should not be called upon in connection with labour disputes unless statutory authority is given by an act of parliament or of the legislatures.

Though the intention is a worthy one I cannot but think of a recent experience in the province of Saskatchewan if I remember correctly where both parties to a dispute made a request of the Attorney General that a particular judge be appointed to deal with it because of the special confidence they felt in him. It seems to me that if we were to agree to the amendment proposed by the hon. member we should no longer find it possible to accede to a reasonable request of this nature.

I agree, that the occasions on which the governor in council or the lieutenant governors in council should call on judges to undertake non-judicial duties ought to be restricted to a bare minimum. As the hon. member suggested, such appointments do expose judges to risks of the kind he mentioned. However, I believe we should continue to give the governor in council and the lieutenant governors authority to appoint judges on the rare occasions when it would be clearly be in the public interest to do so. When both parties request a particular judge, surely we should not deny a course of action which might quickly settle a dispute. Otherwise it might drag on for months.

Mr. Fulton: To deal with the minister's brief reply, may I suggest to him that the illustration he has given does not really support his argument or weaken the proposition I have advanced. I suggest to the minister in all seriousness that if a judge could not be appointed in the case he mentioned the parties would readily have agreed on someone else, especially if the provinces were encouraged to build up panels of permanent chairmen as part of the cadres of their labour departments.

If we do not stop appointing judges we shall never build up these cadres of men who will be available for appointment as chairmen of these boards. We can go on saying that there are all sorts of particular cases where judges would be suitable, but if judges could not serve others could be found. It is the principle which is important here and I do not see how the principle can be preserved except by agreeing to an amendment such as I have moved.

Mr. Knowles: Mr. Chairman, we do not often get an opportunity to speak in committee of the whole with so many faces opposite. It is a temptation which is difficult to resist, now that so many members have come in.

We understand the motives behind the amendment moved by the hon. member for Kamloops and we are in agreement with some of the things he said when introducing it. Obviously that is a prelude to suggesting there is something to be said on the other side. We agree that the load placed on the judiciary because of the acceptance of these outside appointments is perhaps a heavy one and that the services of judges should be used sparingly for this kind of work, or maybe there should be more judges.

We also agree that there are certain kinds of inquiry to which the appointment of judges is not desirable because they do not add to the respect with which the judiciary is held by the public. At the same time, I believe the amendment proposed by the hon. member for Kamloops goes too far. I do not agree with him that a hard and fast line can be drawn between the kind of issues which get into the courts and the kind of issues which never get into the courts of the land but which require judicial and impartial determination.

The standard complaint to make, of course, is that judges should not be used in connection with labour disputes. I submit there are occasions when a labour dispute is just as important as any issue which comes into a court. There are times, as the Solicitor General has pointed out, when both sides feel that the resolution of a dispute can best be made by someone with the experience of a judge, by someone who has the reputation for impartiality which goes with sitting on the bench.

I think the kind of warning which has been sounded against appointing judges to a good many of these boards and so on is one which should be sounded. But it is not a good principle to say that judges should never be available for employment in connection with labour disputes or special problems which may arise in our country.

• (3:10 p.m.)

I believe that the actual wording of the amendment proposed by the hon. member for Kamloops is too ironclad. It leaves no loopholes for a special circumstance. An issue might arise in a provincial or national setting when the legislature or parliament is not in session to pass the necessary act. If the amendment as proposed were carried there would no no possibility, even by order in council, of appointing a member of the bench to one of these positions mentioned, no matter how badly he might be needed.

I am ready to say that the kind of warning sounded on this matter is good, but I believe the amendment goes too far. We shall vote against it.

Amendment (Mr. Fulton) negatived: Yeas, 27; nays, 50.

The Deputy Chairman: I declare the amendment lost.

Mr. Bell (Carleton): Before the clause carries could the minister say what acts of the parliament of Canada at the present time expressly authorize a judge to act as a commissioner, arbitrator, adjudicator, referee, conciliator or mediator? When the bill was drafted the minister obviously must have known what these acts were. I think the committee should know the precise authority under existing statutes.

Mr. Pennell: I am sure the hon. member would not expect me to carry a list of the acts with me. I do not have such list. Speaking from memory, I believe the municipal act says that the county court may act.

Mr. Bell (Carleton): That is a provincial act and I spoke of acts of the parliament of Canada.

Mr. Pennell: The clause refers to federal and provincial legislation. There is the Expropriation Act, and other acts. I could cite a number of provincial acts giving power to judges to act as arbitrator and adjudicator. The power is given to the county court of the county in which the action arises.

Mr. Bell (Carleton): With respect, the minister has not mentioned a single act of the parliament of Canada. He did refer to the Expropriation Act but matters dealt with under that act come by way of information laid before the Exchequer Court of Canada. The proceeding is entirely judicial. It is not an inquiry. There is no mediator or conciliator there.

I have no doubt that before the bill was drafted the minister was fully aware of the acts. The officials in his department would know the acts of parliament relevant to my question and would inform the minister. The acts I refer to are not provincial acts. I do not think it is our business to delve into the

provincial situation, but I think we should know what the minister understood on the advice of his officials.

Mr. Pennell: I believe the Inquiries Act is a federal act and provides that a judge may act. I always try to be perfectly frank with the house. In all my nakedness I stand here; I cannot give the hon. member specific acts. The validity and the force of this clause do not turn on the Solicitor General's ability to name specific acts. I am satisfied that if this matter were not dealt with in the manner we have dealt with it the effect would be to jeopardize future actions by the lieutenant governors and governor in council in legitimate circumstances.

Mr. Bell (Carleton): The minister is confusing things and confusing me. He speaks of action taken by the lieutenant governor or the governor in council. That is not the point. The minister has spoken of the Inquiries Act. That act provides for the appointment of a commissioner. It does not say that the commissioner shall be a judge. There is nothing in that act which is express authority to a judge to act. With great respect, the Inquiries Act is not relevant to my question.

I am not trying to embarrass the Solicitor General. He has brilliant officials in the gallery. I cannot understand why he did not bring them to the floor of the house to assist him. I was glad to see that the President of the Treasury Board had no such inhibition earlier this week. The Solicitor General is asking the committee to approve this clause without saying what are the acts of parliament which expressly authorize a judge to act as commissioner, arbitrator, adjudicator, referee, conciliator or mediator on any inquiry, commission or other proceeding, to use the exact language of the clause.

That language was not included in the draft idly. Obviously somebody must have studied the situation and said: "These are the statutes where there is express provision to do these things." This has nothing to do with the power of the governor in council.

I do not want to delay the legislation because I approve of it in general, with the exception of this clause. I ask the minister to undertake to give me a list of the acts of parliament I asked for in the very near future and before this bill has had royal assent.

Mr. Pennell: Mr. Chairman, I find the hon. member's request reasonable. He has cooperated well in the passage of this bill and I cannot take exception to anything he has said. I am pleased to give the undertaking he requests.

The Deputy Chairman: Shall clause 5 carry.

An hon. Member: On division.

Clause agreed to.

Clause 6 agreed to.

Title agreed to.

Bill reported.

The Acting Speaker (Mr. Rinfret): When shall the bill be read the third time?

• (3:20 p.m.)

Some hon. Members: By leave, now.

Some hon. Members: No.

Mr. Pennell: Mr. Speaker, I would appeal to the hon. member for Kamloops that we be permitted to proceed with third reading now. If the hon. member cannot see his way clear to allow this, I will take no exception. However, there is some urgency because I understand there are several judges who are nearing retirement age and I would hope that no unforeseen delay would cause loss of income to retiring judges. Therefore, I make a special appeal to the hon. member's sense of fairness and justice.

Mr. Fulton: Mr. Speaker, far be it from me to place any member of the bench in a position of such jeopardy as that outlined by the minister. I am very glad to have what might be called a sort of death-bed repentance by proxy.

The Acting Speaker (Mr. Rinfret): When shall the bill be read the third time?

An hon. Member: By leave, now.

Some hon. Members: Agreed.

Mr. Pennell (for Mr. Cardin) moved the third reading of the bill.

Motion agreed to and bill read the third time and passed.

SMALL BUSINESSES LOANS ACT AMENDMENT

BROADENING OF LENDING PROVISIONS

Hon. Mitchell Sharp (Minister of Finance) moved the second reading of Bill No. C-270, to amend the Small Businesses Loans Act.

He said: Mr. Speaker, first I should like to thank hon. members of this house for the

very unexpected and very welcome applause. I expected it from this side of the house, but from the other side it is a particular pleasure. I wish to express my deep gratitude.

At the resolution stage my parliamentary secretary gave a description of the purpose of the bill which is before us. His remarks will be found in *Hansard* for February 16 beginning at page 13139. I do not intend to repeat what he said and I am sure the house would not expect me to do so.

I should like to make a brief summary. The bill extends the Small Businesses Loans Act for another three year period. It already has been in effect for six years. At the same time it enlarges the application of the act by broadening the purposes for which guaranteed loans may be made. The principal changes are as follows: First, to enable the owner of a retail store to obtain a loan to finance the purchase of the building in which he is located. This removes an anomaly which existed in the present act. I am sure that everyone would wish this anomaly removed. Previously the owner could purchase premises across the road but could not buy the building in which he was located. The second change enables loans to be made to small business enterprises in the construction, transportation and communications industries as well as in manufacturing, wholesale and retail trade and services. The third change is to amend the definition of an eligible small business enterprise as one whose estimated annual gross revenue does not exceed $500,000. The limitation in the present act is $250,000.

These amendments, I believe, will enable the Small Businesses Loans Act to make a greater contribution to the needs of small enterprises in this country.

Mr. A. D. Hales (Wellington South): Mr. Speaker, we appreciate the brief introduction the minister has just given us to the bill now before us. We have very little more to say at this time, since many members of our party spoke on this legislation when it was at the resolution stage. At that time they expressed their general support for the bill and for what this act had done in the past. They were very much in accord with the changes, particularly in view of the fact that we introduced this type of legislation in 1961 when we were the government. We have been glad to see this act amended once or twice previously and we now are glad to see it revised once more so that it will become more applicable to the needs of the small businessman who certainly requires such support. Other points will be discussed when we reach the clause by clause consideration of the bill. Therefore I do not propose to hold up the progress of the bill at this time.

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, I shall be quite brief at this time, which is my usual practice. We support the principle behind the proposed amendments. I remember that prior to the introduction of this legislation by the Conservative government in 1961 small business organizations throughout the country had made frequent requests for legislation of this type. I do not think there is any doubt that this is good legislation. At this time I cannot resist at least congratulating the former government for introducing it into the house in 1961. Since that time there have been several amendments as a result of experience and I think that generally the act has proven to be very satisfactory.

• (3:30 p.m.)

I am very interested in the application of the act. I have had conversations with many bank managers in my constituency, particularly in the smaller communities. I have found them most co-operative. They did not lend money unless there was a sound basis for the loan but they were co-operative in that they were anxious to do what they could to assist the smaller businessman. I have here the fifth annual report on operations under the Small Businesses Loans Act for the year ended December 31, 1965. To show how sound in principle this program is I should like to read this paragraph:

> Since inception to December 31, 1965, 14,050 loans amounting to over $127 million were made by the banks under this legislation. During this period payments have been made to the banks under the guarantee provision in respect of 25 claims amounting to $139,954.

I think this clearly demonstrates that the government of the day was fully justified in introducing the act and expecting it to operate soundly and to the advantage of the small businessman. I rose particularly to mention that the chambers of commerce and the unions in the Kootenays are very interested in the development of secondary industry. This act could be of assistance to persons interested in such development. I refer to small manufacturers and those interested in the development of the tourist business and recreational facilities.

Only this morning I received a letter from the Nelson Chamber of Commerce dealing with this question. We have a large smelting

business in the riding, a mining industry and a forest industry but there is a place for the development of secondary industry, particularly in the smaller communities. I will give the minister one experience of mine in this respect. I went into this question very carefully with firms in Ontario which are interested in the manufacture of furniture, because we have large quantities of excellent quality birch in the district. The birch you see in Ontario looks like weeds compared with the birch we grow in our country.

I remember on one occasion shipping ten carloads of birch logs 32 feet in length and 2 feet in diameter at the top. I mention this to illustrate the size of the timber that grows in southeastern British Columbia. Millions of feet of birch are being destroyed at the present time as a result of building the dams on the Columbia river. The timber is simply being piled up and burned. I did everything possible to get people interested in establishing a furniture industry in the district in order to use the birch and other woods there which are very suitable for the manufacture of various types of furniture. However, I was completely unsuccessful in that respect owing to the fact that for some unknown reason the Okanagan district has been declared a designated area. That is a rather ambiguous term, Mr. Speaker, but anyway it qualifies for certain assistance in the development of new industries such as write-offs, grants and so on.

There is a great demand for the development of secondary industry in the smaller communities. These industries need financial assistance in order that they may become stabilized. When the dams and other large construction projects are completed in the constituency I have the honour to represent, this program will be more necessary than ever. There are in the area people very interested in developing accommodation for tourists, particularly in the summer months. There are others interested in the development of a small pottery industry. We have in my area excellent clay which could be used in the manufacture of pottery on a small scale, something similar to what has been done in other places in Canada. We also have in our district six hot springs; two or three are owned by people who would like to develop them further. This could be done if they were extended credit under the provisions of this act.

I mention these matters to bring them to the minister's attention and arouse his sympathy with respect to the needs of the district I have the honour to represent. I shall be writing him later on this question to see what he can propose with respect to the development of secondary industry and business in Kootenay West and Kootenay East. The people of these two constituencies are working together on these problems because they affect the whole area as a region rather than just one constituency.

Mr. W. M. Howe (Wellington-Huron): Mr. Speaker, I said a few words on this subject when we were at the resolution stage. We put forward some suggestions then which I thought would be implemented with regard to areas in which the provisions of the bill might be improved to make it more acceptable and used to a greater extent than has been the case in the past. We appreciate the increase in the number of people who will be able to benefit from this legislation, but we wonder whether the loan ceiling of $25,000 is realistic. If it was realistic in 1960 I do not think it is realistic in 1967, particularly when one considers the construction, transportation and communications industries and others of that size which need a great deal more money than the ordinary retail merchant or the small manufacturer.

I was hoping that when the minister spoke today he would deal with this question. When the parliamentary secretary to the minister spoke at the resolution stage on February 16 he said, as reported at page 13141 of *Hansard*:

> All the more reason why we must expect businesses needing over $25,000 and those having a turnover exceeding $500,000 to have plans that require financing beyond the scope of the Small Businesses Loans Act.

After all, Mr. Speaker, if we are going to raise the potential turnover of a small business to $500,000, in my opinion a maximum loan of $25,000 is not sufficient. I have often wondered whether the government has considered applying a scale of charges whereby a certain interest percentage would apply on the first $25,000 and then there would be a small increase in the percentage on, say, a further $25,000. If this were done I believe more people would participate in the program and it would be more beneficial to those in the construction and transportation businesses in particular. Twenty five thousand dollars would not buy a bulldozer for use in the construction business, or a cement mixer or large machinery of this type, and in the transportation business many trucks cannot be bought for $25,000.

I wonder whom the government discussed these amendments with and whether they went to the Retail Merchants Association, the chambers of commerce and people interested in small business to obtain their ideas as to ways and means to make the legislation more workable. The parliamentary secretary also said when speaking on this matter at the resolution stage, as reported at page 13140 of *Hansard*:

> Of course, it is not an unimportant amount and it has probably been quite beneficial to borrowers. But it might be possible that it is not a valid sign of the entire potential demand which could exist for such loans.

He was there referring to the amount of money which had been lent under this program. So the government admits that there is a potential demand for more loans. When the hon. member for Kootenay West was speaking I was thinking of the suggestion I made in this connection. I suggested that perhaps a certain amount of the fund be set aside to provide working capital, because in small businesses this is an area where businessmen experience difficulty. To become established and obtain credit takes a certain length of time, and the small businessman often finds himself in trouble in this respect for one, two or three years. He experiences difficulty because he does not have enough working capital to carry him over this critical period. These are two important areas which have not been covered in this bill.

• (3:40 p.m.)

There is one other matter which I should like to raise at this time. The parliamentary secretary indicated in the statement he made at the resolution stage that he was not sure whether the rate of 5.5 per cent could be retained and that this would be decided after passage of the new Bank Act. Now that the Bank Act bill is out of the committee I wonder whether the minister could give us a more definite statement on what the rate on these loans will be. Will it stay at 5.5 per cent or will it go up to 6.5 per cent? It has to be kept in mind that a lower rate of interest on these small business loans will make it possible for more people to participate. I hope that before second reading of the bill the minister will take note of our suggestions and give them his consideration.

Mr. B. S. Mackasey (Parliamentary Secretary to Minister of Labour): Mr. Speaker, my remarks will be very brief. I appreciate the courtesy of the hon. member of the Social Credit party who has relinquished his place to me to allow me to say a few words about the bill.

I think the opposition is to be congratulated for having had the initiative in 1961 to bring in this legislation which was designed to make funds available to small businessmen. However, I do not think that the act, at least in my province, has lived up to its potential, and this is no reflection on the government which drafted the original bill or on the legislation itself. I think, however, that it is indicative of the rather conservative methods under which the chartered banks in my province function.

There is a tendency on the part of the chartered banks in the province of Quebec to discourage loans under this act. I suspect that in all probability there are one or two features in the act which make the average bank manager reluctant to lend money at the present time. One of them has of course been the fixed rate of interest which might have been logical at the time when it was set but now is no longer realistic, particularly in view of the advent of the new Bank Act.

The hon. member for Kootenay West (Mr. Herridge) pointed out that the banks were risking relatively little in lending money under the provisions of this act. I think he mentioned that there were only about 25 loans for which the federal government had to reimburse the banks against default. I have in front of me some figures that might interest those hon. members who are concerned about the point I am trying to make. In the period from October to December of 1965 the amounts of money lent under this act in Ontario and Quebec were practically identical. In Ontario the figure was $1,699,000 and in Quebec it was $1,672,000. In the period of tight money, or at least when money was not quite so free, from October to December of 1966 it is significant that loans in Ontario increased from $1,699,000 to $1,745,000 but unfortunately in the province of Quebec loans dropped from $1,672,000 to $669,000. It is obvious that in the province of Quebec it has been virtually impossible for small businessmen to take advantage of this act.

The amendments before us broaden the base in that theoretically they enable a larger group of people to take advantage of the act and in that way more contractors and transportation people will obtain loans to buy trucks and so forth. Conceivably these people are expected to walk into a bank and borrow under the provisions of Bill C-270. However, I

can assure hon. members that unless there is a change in the attitude of the bankers with whom I am familiar there will be as much reluctance, if not more than ever before, to make loans under this act unless the minister takes advantage of his prerogative to establish a realistic rate of interest.

It may sound paradoxical for me to be suggesting that the rate of interest under this act should be higher than under normal circumstances, but the small businessmen in my particular area, in view of the fact that because of the civil code in our province they cannot borrow money under what are known as general mortgages in other parts of the country, are faced with the problem of obtaining working capital, as the hon. member for Wellington-Huron (Mr. Howe) pointed out so realistically. The problem of the small businessman is not the rate of interest but the difficulty of obtaining money from a place such as a chartered bank with which he deals in his everyday business life. This is the normal place from which he obtains money when he needs working capital and money for expansion, repairs or a new piece of equipment. Statistics prove that in the province of Quebec advantage is not taken of these loans. I hope that the minister will comment a little later on the reasons why the act is not working.

Not knowing what the minister will say and faced with the reality that I want to go home on the five o'clock train, I turn to the Porter commission report to see what its point of view may be on this act. It mentions the very significant fact that interest rates on guaranteed loans should be set initially at reasonable levels and move up and down with other lending rates. If this is not to be the policy under the proposed legislation, then the banks will have a tendency to discourage loans under this act and take advantage of what may be higher rates of interest for shorter term loans, loans that they say they like to turn over, rather than lend to small businessmen for longer periods of time—I think the limit is 10 years—at a lower rate of interest than that on non-guaranteed loans. Unless the minister can give the house some assurance that it is his intention that interest rates on guaranteed loans should be set at reasonable rates and should move up and down with other rates, then I suspect that the full intent of the amendments will not be realized.

An important statement is made in the Porter commission report which I think should be read into the record. The commission points out that there is increased competition for large loans by large corporations from other lending institutions which have cut into the operations of the chartered banks. It says at page 124:

> In spite of new competitive pressures in their traditional stronghold—

That is loans to businessmen.

> —the banks have continued to concentrate their attention on short-term business lending and have not moved aggressively into longer term lending.

The whole philosophy behind this bill is to make available to small businessmen loans on a long-term basis and, as this report points out, the banks have continued to concentrate their attention on short-term business lending and have not moved aggressively into longer term lending.

There are no amendments in this bill which force the banks to abandon their traditional reluctance to being involved in long-term lending. I doubt very much that their appetite for this type of legislation will be whetted if long term-lending is also associated with lower interest rates than they can get from their normal type of activities. I continue the quotation:

• (3:50 p.m.)

> A number of reasons may be adduced for this reluctance to reach into an area which would seem attractive to the banks. The banks made it clear to us that they do not believe term lending to be a completely inappropriate use for a portion of bank funds, but that they do place a priority on short-term "self-liquidating" finance.

If the banks insist on keeping the emphasis on short-term self-liquidating finance, the whole spirit of this particular bill is defeated. I think it is a significant fact that the act has not been a successful one. When one has had a chance to study the figures one will see that the sum total of these loans comes nowhere near the ceiling the government set in 1961. As I understand it, the amendments before us do not raise the ceiling. This is indicative to me at least that the act, while very desirable, is being circumvented by the banks.

I have no right to presume that this is true right across the country. Last year Ontario, despite the tight money policy of 1966, increased the amount of loans under this act but in Quebec loans fell from $1,600,000 to under $700,000, an indication I suspect of the failure of the chartered banks to realize the traditional role they are supposed to play in the Canadian economy. It seems to me that Canadian banks are to some degree pampered. The recent revisions of the Bank Act

which will be coming before us, in the discussion of which in the finance committee I have been privileged to participate, indicate that the chartered banks of Canada have a particular role in our economy. They are synonymous in our thinking with stability. We are very proud of their record compared with that of the banks in other countries.

On the other side of the coin I think that the banking institutions of this country have a responsibility to Canadians and that responsibility extends as well to small businessmen. Some of the speeches made at the resolution stage by the hon. member for Wellington-Huron (Mr. Howe) and other Conservative members, as well as by the hon. member for Waterloo South (Mr. Saltsman) and other members of the New Democratic Party, indicate that they have the same idea as I do that the banks have a moral obligation to help the small businessman. There are, I believe, close to 500,000 small businesses in this country which are not getting a fair share of the banking facilities that are supposed to be at their disposal. I am not sure what the solution is. I suggest to the minister that he take a good look at the interest rate. I cannot understand those in this house who believe they are helping the small businessman by setting the interest rate as low as possible. If they would talk to these businessmen on the week ends they would find that the barrier these people face is not the interest rate but how they can get their hands on money from the chartered banks or other institutions of which they are a little suspicious, perhaps unjustly so.

While I endorse the amendments I believe they in no way shape or form overcome the weaknesses which existed in the act, one of which is indicated by the reluctance of the chartered banks to co-operate or to live up to their moral obligations so that the small businessman in each community has a chance to grow. I would have liked to see some provision in the act which would have permitted small businesses to obtain funds for mergers with other small businesses. Big businesses merge and unify. One of the problems of the small businessman is that he has surplus capacity sometimes or lacks a sales staff and this could be rectified easily by merging with another small business. I think that this might have been one welcome addition to the act.

In conclusion, Mr. Speaker, I hope the minister will realize that on the one hand we sponsor the Industrial Development Bank from which one can obtain a loan at a rate of well over 8 per cent, whereas the chartered banks can provide this service at a rate of interest that is lower. However, the small businessman cannot get a loan there. If this act is going to be of service to the small businessman, then we have to be very realistic about setting a rate of interest, a prerogative which lies with the minister. Secondly, we have to use some type of moral suasion on the chartered banks to co-operate for the benefit of the small businessman.

Mr. A. B. Patterson (Fraser Valley): Mr. Speaker, I want to speak very briefly in support of the principle of the bill now before the house. Like the family farm to which we have made reference on so many occasions, small business has been in the past and continues to be one of the important and desirable factors in our economic life. We all know that in recent years there has been an increasing emphasis on business. This is true in practically every phase of life. We talk about big business, big firms and big products. This type of thinking has even moved into ecclesiastical circles. We talk about big church organizations. My theory is that there is a danger in equating the idea of size with efficiency and progress. I suggest it is not always indicative of efficiency or progress. People put huge units in opposition to small units in our society.

In my view the so-called small businessman has made and continues to make a very worth-while contribution to our way of life. He should be encouraged and assisted in the efforts he is putting forth. When my colleague the hon. member for Okanagan-Revelstoke (Mr. Johnston) spoke at the resolution stage of the bill he referred to the fact that on many occasions the small businessman operates as a convenience to the respective communities in which he may function. Unfortunately, I suggest that too many of us just use the small businessman as a convenience after the large business places have closed for the night or when the housewife runs short of one or two items. In such case the corner grocer is very convenient. However, we think he should be more than a convenience and as such he should receive encouragement and assistance in carrying on his operations. Not only does he provide a convenience but he also provides a personalized service in many cases which is not found in the larger units. I am sure we all appreciate the fact that these

businessmen who operate in our communities are providing a service that is not only convenient but is personalized as well.

I believe, as I have said, that we must do everything we possibly can to assist the small businessman to carry on his operations, make a living for himself and his family and make the contribution to the community he desires to make. The small businessman is not there just to make money. It is true that he has to make money in order to survive and provide for himself, but I believe he takes pride in being part of the community and rendering a service. I believe we all appreciate and recognize that. Perhaps we should recognize the additional burdens that are placed not only upon him but on larger units as well. The small businessman has had to become a bookkeeper for the government with regard to pensions, taxes and all these other things. He is burdened to a considerable extent with bookkeeping, accounting and other activities on behalf not of himself but of various levels of government. Perhaps there should be some way in which this is recognized when he is taking care of his tax return.

• (4:00 p.m.)

I believe there are other ways in which he should be assisted, but I think that the provision of capital is a very essential requirement. A short time ago I read that there are approximately 4,000 small businesses which go out of business every year, and I think this is a rather serious situation. I realize many reasons may contribute to business failure. For example, perhaps a businessman did not make sufficient preparation before going into business to assure that he would be able to continue his operations. Perhaps he did not have enough capital in the first place in order to provide adequate facilities.

Nevertheless, Mr. Speaker, I am convinced that inability to acquire sufficient capital at various stages of a business operation is one of the factors which forces the small businessman to the wall and which puts him on the labour market. He must have access to sources of capital to meet emergencies which may arise. He must have sufficient capital to expand his business or to face the competition that he meets today. Some small business operators say that they are not afraid of competition from large concerns if only they are able to obtain the capital required to expand their business facilities to meet that competition. I think it is absolutely essential that they do receive the assistance that is required in this connection. Then, of course, working capital is also necessary to help small businesses to continue to serve their community and help our economy.

As I have said, Mr. Speaker, we support the principle of the measure now before us. However, even though there has been some expansion of the categories of businesses covered by the legislation, I think the legislation is still too restrictive. There are other types of business operations that I believe should be incorporated within the provisions of this bill. Therefore, Mr. Speaker, although the minister has widened the legislation a little further this time I hope that in the very near future he will see fit to bring others within its scope. As I have said, it is still too difficult to obtain capital not only under this legislation but also under other pieces of legislation.

Reference has been made today to the Industrial Development Bank. Relatively small businessmen or industrialists have approached the bank for loans, yet there seems to be a repetition of the old saying that if you do not need money you can get it, but that if you do need money you cannot get it. This has apparently been the experience of all too many in their endeavours to secure capital under the provisions of various pieces of legislation, and I believe it is also true in this particular case.

The hon. member who preceded me pointed out that perhaps part of the responsibility lies with the banks, because of their hesitancy in lending money under the interest rate prescribed. Perhaps they are more interested in lending large sums than small sums, owing to the cost of administration. Nevertheless I believe it is still too difficult for small businessmen to obtain the capital that is required, and that we ought to accommodate them in this regard by enabling them to borrow the money required to carry on their operations.

We have noted the increase in the estimated gross revenue from $250,000 to $500,000. Perhaps smaller businesses are more in need than those with a gross revenue above $250,000. However, Mr. Speaker, as I say, we support this particular provision. On the other hand we also put in an extra plug for the more humble businessmen, because of their greater need. We support of course the extension of the operations of this act for a further period, and we may have some other comments to make when the bill is before committee of the whole.

Mr. G. L. Chatterton (Esquimalt-Saanich): Mr. Speaker, my remarks will be brief.

Naturally I support the proposals made by the minister as far as they go, but I submit that they do not go quite far enough. I assume the minister will agree that perhaps the act has not been made use of to the extent that was anticipated when it was passed. The mere fact that the original limit on loans set in the act was $300 million over a period of three years and that up to the end of 1965 only $127 million of that amount had been taken up is an indication of this. This means that an amount of $25 million a year or so is being taken up.

Furthermore, Mr. Speaker, the number of loans which are being made seems extremely small, something in the order of 2,000 to 3,000 per year. Obviously there must be some reason why this act has not been used to the extent anticipated. I realize that the purposes for which loans can be made are limited and no doubt this has been a factor. Therefore a broadening of the act in this respect by the present bill is commendable.

Like the hon. member for Hamilton West (Mr. Macaluso) I also have the feeling that in many cases banks have been rather loath to lend money under this act. In some instances I know that banks have talked the proposed borrower out of obtaining a loan under the terms of this act and have given him a loan under the provisions of the Bank Act. I am not a suggesting that the minister should raise the rate, but I think he could inquire whether banks are prepared to lend money at the rate prescribed. It would be more advantageous for a small businessman to get a loan even at a slightly higher rate than to be unable to get a loan at all.

My main criticism of this bill, Mr. Speaker, is that it does not increase the maximum amount of the loan that may be made. It is true that the average amount of loan up to the end of 1965 was less than $10,000. Nevertheless I have personal knowledge of at least two cases in my riding where a loan could not be obtained because an amount of more than $25,000 was required.

I have checked with officials of the minister's department, Mr. Speaker, but they have no first-hand knowledge of how many applications may have been submitted and rejected because the amount of loan was restricted to $25,000. They have no way of knowing except from inquiring of the banks how many turned down loans for this reason. Banks report to the government of course only on loans actually made.

[Mr. Chatterton.]

Therefore, Mr. Speaker, it seems to me logical that since the gross revenue has now been increased to half a million dollars from a quarter of a million, the maximum amount of loan available should be substantially increased also, and I hope the minister will give this his consideration. I see no objection to increasing the amount from $25,000 to, say, $50,000, a higher rate of interest being applied on the second half of that amount. This is being done today under the Farm Credit Act and the Veterans' Land Act. I think the minister would be well advised to increase the amount of the loan and then at his discretion to set a higher rate of interest on that part of the loan wich would exceed $25,000.

• (4:10 p.m.)

I hope the minister will give consideration to these points and that later, in his closing speech, he will tell us, from the information he has available to him, why this act has not been used to the extent originally anticipated.

Mr. Melvin McQuaid (Kings): My remarks, too, will be brief. I am confident the minister will find that these proposed amendments will meet with general approval all over the country. I think it is recognized that we are a country of small businesses. I have no recent data available, but statistics published not long ago indicated that of the 37,500 manufacturing industries or establishments in existence at that time some 35,000 could be placed in the category of small business, employing fewer than 99 people each.

I know that in the Atlantic area from which I come, the greater the number of small and prosperous industries we have the sounder will be our economy. I often think it is better to have 20 businesses employing 50 people each than to have one employing 1,000 people. This is why I am confident that every encouragement should be given to people who wish to open small businesses and small enterprises.

There is one deficiency that I see in the act as it now exists, and I should like to draw it to the attention of the Minister of Finance (Mr. Sharp) so that he may give it whatever consideration he sees fit. As I read the act today, no provision is made for the advancement of the guarantee on loans to buy existing businesses. The amendment before us would, if it is true, allow a guaranteed loan to be made for the purpose of buying premises. If a young man wished to enter business, this loan would be available to him. Under the existing provisions he would be able to get a

loan in order to buy the fixtures and equipment and to make the necessary renovations. But as the act is drafted at present I see nothing which would allow the banks to guarantee a loan for the purchase of an existing business. I think this is an important consideration because there are many young men who would like to enter the small business field, and who see an opportunity to do so when someone who has been engaged in a particular enterprise wishes to get out of it.

Unfortunately, even with the amendment proposed today by the minister, a guaranteed loan cannot be made for this purpose under the act. I would therefore suggest to the minister that it would be of tremendous benefit to small enterprise if now, while we have the act open, some provision could be made whereby a guaranteed loan could be obtained from the banks for the purpose I have outlined.

Mr. G. H. Aiken (Parry Sound-Muskoka): I wish to make a few comments of a general nature on this bill. I presume we shall shortly begin a clause by clause discussion.

The purpose of the bill before us is limited. It extends the provisions of the Small Businesses Loans Act to construction, transportation or communications. It extends the duration of the act and expands its scope so as to include the purchase and construction of premises. There are two matters I should like to refer to the minister's attention and the first relates to the limitations which are placed on the amount of the loan which can be made.

When the original bill was passed some five years ago, $25,000 was considered adequate for what the government had in mind. At that time there was no other fund to which small business could turn for public assistance. This applied particularly to the type of business in which I am interested, the resort business and the service industry. The bill did serve a purpose, though perhaps it has not been as successful as we had hoped.

I think the time has come when we should expand the provisions of this act far beyond anything the present bill proposes. I believe we should raise the ceiling on these loans because $25,000 is not enough in the case of many of these businesses. I believe the time has come when provision should be made for refinancing. In my view the only reason the small Businesses Loans Act has not been as successful as originally hoped is that in many cases the people who make application for loans need to pay off smaller existing encumbrances before proceeding with the work they have in mind. I may say there are very few businesses today which do not have some sort of mortgage or encumbrance against them.

As the bill now reads, the full amount made available must be used for the purpose of the construction and modernizing of premises; none of it can be used for refinancing. There certainly has to be a limit but I think, for a reason. I shall mention in a few moments, that the time has come to permit a certain amount of refinancing to be undertaken.

I say this because the only other source of guaranteed government loans available to most people, the Industrial Development Bank seems now to be restricting its credit to small businessmen. Both the Small Businesses Loans Act and the Industrial Development Bank have their shortcomings. The former does not permit the use of any money for refinancing. The I.D.B. does, but it has been my experience in the last year or so that the bank has been greatly restricting its loans to private industry and to small business. Indeed, loans have been restricted to the point at which the system has lost its effectiveness. There is a wide gap at the present time between transactions which are covered by the Small Businesses Loans Act and those which are handled by the I.D.B. Years ago there were signs that the Industrial Development Bank would be useful to small manufacturing firms, small tourist industries and the like. But during the past year there has been a change of attitude or a change of direction. Time after time I have been unsuccessful in getting the bank to do what the act it should do—assist in development.

The people running it have established themselves as bankers and they are not doing the development job they should be doing for small business. I do not wish to go too deeply into this aspect of the subject because you might call me to order, Mr. Speaker, but I would point out again that there is a tremendous gap between what is intended under the Small Businesses Loans Act and what the I.D.B. does. There does not need to be such a gap because there is sufficient authority under this Act to permit loans for the expansion of premises, and there is authority vested in the Industrial Development Bank to handle a lot of industrial loans. The authority is there but it is not being used.

• (4:20 p.m.)

I can think of four or five industries which are ready to move, but which have been tied up with Industrial Development Bank red

tape, to the point where they cannot do their job. The bank is acting as a banker and not as an agency of the government. For this reason I appeal to the minister to close the existing gap between the Small Businesses Loans Act and the I.D.B. The authority exists. The idea is to help the businesses that want to begin or improve production in Canada, also to help our export business.

Let me give an example of the gap existing between the provisions of this bill and the functions of the I.D.B. A company manufacturing entirely for export applied to the I.D.B. for a loan. At that time it had received a letter from the Minister of Trade and Commerce (Mr. Winters) asking it to step up its export business for the 1967 centennial year. The company had also applied to the area development agency, and had been approved. The Minister of Trade and Commerce had requested it to set up its business, the area development agency had authorized it to proceed with expansion, but the I.D.B. procrastinated for six months, fooling around with red tape. Eventually the firm had to abandon the expansion for 1967. All its business was export business.

A gap exists, and needs to be closed. I could cite other examples, and I have already spoken to the minister about one or two instances. I feel, and feel strongly, that the Industrial Development Bank is not doing its job, and that the Small Businesses Loans Act is not functioning in those areas where the bank does not function. Between the I.D.B. and Small Businesses Loans Act, and their failure to meet certain needs, the development of industry, in Canada, particularly small industry, is being held back. I do not know what can be done to persuade them.

I appeal to the minister to do what he can to make the Small Businesses Loans Act as effective as possible. If the measure before us is all that can be proposed at this time, then let us pass it. If the Industrial Development Bank will not do the job it was set up to do namely, development loans, then the Small Businesses Loans Act should be expanded to do the job the bank ought to do. The bank tangles everybody in red tape.

Let me cite another example. The company in question tried for six months to obtain a loan. In February of 1966 the company applied to the I.D.B. for a development loan. The bank did nothing until November. When the Ontario development agency was set up the company went to it and obtained a loan in three weeks. The point is that the I.D.B. ought to have provided that loan. This is just one example out of half a dozen.

I know that the minister does not tell the I.D.B. how to run its show. He does not like to tell the bank to make a loan to this or that person. If he did that sort of thing it would put all its applications on his desk. Nevertheless I appeal to the minister to tell the bank to get off its rear end and to help develop industry in this country.

Mr. Speaker: If the minister speaks now he will close the debate.

Hon. Mitchell Sharp (Minister of Finance): Mr. Speaker, I wish to thank hon. members who have contributed to this debate. My reply will be brief. A good deal has been said about the size of loans and whether it would not be wise in this act to increase the limit above $25,000, just as we have increased the eligibility of businesses by increasing the volume of business that makes them eligible from $250,000 to $500,000.

It will interest the house to know that in the last three years the average size of a loan under this act has been less than $10,000, though the upper limit was $25,000. It is even more interesting to note that the great bulk of loans has been in the range $5,000 to $15,000, which shows that the upper limit of the size of loans has not been a particularly limiting factor. Indeed the demand has been for much smaller loans.

Somebody asked whether the proposed amendments had been discussed with the retail merchants. I can answer in the affirmative. The Retail Merchants Association of Canada made representations to the government that the upper limit should be $50,000 rather than $25,000. The association on examination, however, was unable really to substantiate the need for the increase in the upper limit. Indeed they said that they would consider an increase of much smaller proportions to be quite adequate.

We did consider the possibility of raising the limit above $25,000, but in the light of the figures I have given to the house I think it will be understood that we do not consider that this was a major factor affecting the usefulness of this legislation.

Various members have spoken about the rate of interest. There has been general support for greater flexibility in the interest rate, that the banks might be encouraged to make loans to businesses under the guarantee provided by the act. Until the Bank Act provisions

are approved it will be difficult to know on what basis to fix the rate of interest.

May I suggest to the house three general considerations that I believe are highly relevant and that will to a large extent govern the regulations when they are ultimately promulgated. I think the maximum rate should be sufficiently high to preclude the banks discriminating against the use of this guaranteed facility by small business, in favour of other borrowers. Second, the rate must be lower than the rate at which banks normally lend to businesses by a differential wide enough to preclude the banks putting all small business loans under the guarantee.

The original .5 per cent differential below the prevailing rate achieved this end. Of course, if the banks are given greater freedom under the Bank Act the rates will have to be changed accordingly. We believe too that there should not be too wide a difference between the rate under this legislation and the Industrial Development Bank rate on small loans.

As hon. members know, the I.D.B. rate at present is around 7.5 per cent to 8 per cent. Loans have recently been made at higher rates. I can assure the house that the interest rate will be looked at in the light of making the act as widely available to small businesses as possible.

• (4:30 p.m.)

The hon. member for Parry Sound (Mr. Aiken) voiced complaints about the activities of the Industrial Development Bank. Since you did not choose to consider this as being out of order, Mr. Speaker, perhaps I might be permitted to make a brief reply. As the hon. member said, the Minister of Finance does not govern the activities of the Industrial Development Bank, and I do not believe he should. I believe there is a good deal of advantage in having the Industrial Development Bank removed from political pressures, by having it a subsidiary of the Bank of Canada. However, it will interest my hon. friend to know that representations were made to me the other day by an association of financial companies complaining to me that the Industrial Development Bank was being so active in the financing of small businesses that in fact it was taking business away from organizations which would be able to do the job, if only they were not subjected to such unfair competition from a government agency. So, Mr. Speaker, I think there are two sides to this problem.

23033—852

Mr. Aiken: Mr. Speaker, may I ask the minister a question, more or less in clarification. Would he not agree that if the Industrial Development Bank would limit itself to those companies who need some assistance in their development, then the ordinary lending institutions could handle loans which are easily within the limitations of commercial transactions. In other words the Industrial Development Bank and the Small Businesses Loans Act administration could assist many of the companies which otherwise could not get credit. In fact the Industrial Development Bank is involved in these safe loans and is leaving alone the marginal businesses which should be helped.

Mr. Sharp: I will see that the comments of the hon. gentleman are brought to the attention of the bank. Generally the question has been asked, why is the act not being used as extensively as it might be. There are several reasons. First of all I believe that the range of businesses which are eligible for loans has not been as wide as it should be. The purpose of this bill is to correct that defect. Second, I believe monetary conditions have developed in such a way that the banks have not had the incentives which they might have had to make loans under the provisions of this legislation.

When the Bank Act revisions are made I hope the regulations in respect of the interest rate will be such that they will provide the banks with the necessary incentive to ensure that small businesses do obtain the advantage of the government guarantee which is available under this legislation.

Finally, questions were asked concerning the reason the provisions of this act are not available for the establishment of new businesses. I can only reply that that is not its purpose. It was not introduced for that purpose. I believe it would be a mistake to enlarge this act so that it would enable people who are not now in business to finance the establishment of a business. There are other facilities which exist for that purpose, notably the Industrial Development Bank. If we feel, however, that existing facilities are not adequate for the purpose, I suggest that we should look to legislation other than the Small Businesses Loans Act for the remedy.

Motion agreed to, bill read the second time and the house went into committee thereon, Mr. Batten in the Chair.

Small Businesses Loans Act Amendment

On clause 1—*"Small business enterprise."*

Mr. Howe (Wellington-Huron): In my remarks I said that I wondered whether in respect of these amendments the minister would consider the possibility of increasing the amount of the loan. This has been suggested by the Retail Merchants Association. I wonder whether consideration might be given to raising the amount of the loan and charging a little extra interest for the extra $10,000, $15,000 or $25,000.

Mr. Sharp: Mr. Chairman, as members of the committee probably realize, this is only one means by which small businesses can be financed. The purpose is to provide loans of up to $25,000 at preferred rates of interest because of the existence of the government guarantee. I do not think any purpose would be served by having a higher rate of interest on loans in larger amounts. That in fact now is provided for by the banks themselves, which can lend any amount of money they wish to a business, and charge what rate of interest they will within the law. I suggest to the hon. member that his suggestion would not be a practical way to accomplish his purpose. Had we thought that the $25,000 limitation was unnecessary under present circumstances, or undesirable, we would have altered it. Our analysis, however, showed that it was not the size of the loan which limited the usefulness of the act.

Mr. Leboe: Mr. Chairman, I wonder whether the minister would like to clarify his statement to the effect that the banks could charge what they will.

Mr. Sharp: I said, "within the law". The banks, however, can make loans to these businesses without the government guarantee provided by the act. The banks are free to charge what they will within the law.

Mr. Rapp: Mr. Chairman, I have one short question which I should like to address to the minister. Would the minister inform the house whether banks or other lending institutions can refuse a loan, even though the borrower qualifies for it but is not a customer of that bank or lending institution? Would such a reason enable a bank or other lending institution to refuse the loan.

Mr. Sharp: There is nothing in this act which compels a bank to make a loan. So I think I must say that the answer to that question is yes. The purpose of this act is to provide guarantees to banks so that they will be more disposed to make loans. I do not think we could pass legislation which would require a bank to make a loan.

Mr. Hales: Mr. Chairman, the minister has broadened this act to include construction, transportation and communication. I am wondering whether he would give consideration to extending the guaranteed loan provisions of this act to cover loans made to medical and dental clinics. I am sure that if the minister would pause to reflect on the situation which exists across our country, he would realize there is a great lack in the field of medical and dental facilities. All of us are aware that there are many young graduates who wish to start a practice in the medical or dental profession who find that the cost of setting up such practice, with the cost of new equipment today being what it is, is terrific.

In the dental field I believe the desired requirement for dentists is that there be one for every 1,000 persons. We are a long way from reaching that target. I believe there is only one dentist for about every 3,000 persons. If we look at the figures in respect of the medical profession, I think we would find that the percentage would be about the same.

• (4:40 p.m.)

I think there is a great need in Canada for medical and dental services and anything we can do to improve the situation will be a step in the right direction. I would like the minister to review this question and see if he cannot add a provision to include medical and dental clinics. I would like to hear the minister's views on this matter.

Mr. Sharp: Mr. Chairman, I am myself awaiting some clarification of the point. Obviously the act as it now is, or as it will be amended, does not cover professions; but I am not quite certain what the meaning of "service" is in this connection. Perhaps the hon. member would wait until I receive some advice.

Mr. Kindt: Mr. Chairman, I should like one more category to be added to this clause that of veterinarians. It is one that is extremely important to livestock men. There is a graduate in veterinary science in my home town and there is one in an adjacent town. These men graduated from Guelph with a degree in veterinary science and one of them wanted to establish a small clinic in which to carry out his practice. He could not obtain a loan from the bank and came to me and others asking us to sign a note to assist him in borrowing

the money necessary to enable him to establish a clinic.

Eventually he obtained the necessary backing for a loan, but it was out of the good graces of others that he was able to do so. I do not think that veterinary science graduates who wish to borrow money, and who have behind them some capital, should be placed in the position where they are unable effectively to carry out their responsibilities in this field because they are not able to obtain loans from regular banks. I believe that veterinarians should be included, with dental and medical services, in the provisions of this bill. I support the hon. member for Wellington South who asks that medical and dental services be included, and I would ask the minister to add graduates in veterinary science.

Mr. McQuaid: Mr. Chairman, I wonder whether the minister would consider introducing an amendment to subclause 3 of clause 1 of the bill so that the provisions of the act could be extended to those who wish to purchase an existing business, including stock as well as premises. This would not be putting another business into operation. I would suggest that such a provision should apply only to an existing business. In this way a young man who wished to set himself up in business and had a chance to purchase an existing business in the community in which he lived could obtain a guaranteed loan in order to purchase not only the premises, the fixed and movable equipment, but also the stock contained in the business.

I believe that such a provision would be of tremendous benefit to a young man who wanted to set himself up in business, and it would not add to the number of businesses already existing in the community.

Mr. Sharp: As I said, Mr. Chairman, I do not think this would be the place to make such a provision. If this house believes that it would be appropriate to have legislation other than that now in existence to enable people to get started in business or to buy existing businesses, I would suggest that it should be done through legislation other than the Small Businesses Loans Act, which has as its purpose to increase the availability of term credit from the chartered banks to small businesses, to assist them in financing a wide range of capital improvements. That was the purpose of the act, and I believe that should remain its purpose.

Mr. Patterson: Mr. Chairman, I should like to ask for clarification on one aspect of this bill. The provisions of the act are being expanded to take in several categories in addition to those previously outlined, including construction, transportation or communications. The explanatory note states:

> The purpose of this amendment is to extend the guaranteed loan provisions of the act to cover loans made to small businesses engaged in construction, transportation or communications.

The explanatory note in connection with clause 5 reads:

> The purpose of this amendment is to authorize the minister to define by regulations the meaning of the expressions "construction", "transportation" and "communications" for purposes of the act.

I believe there is some ambiguity here. Some people think this provision is concerned with construction businesses and they can obtain a loan under the act if, for instance, they want to purchase additional equipment in order to expand a business. Other people are inclined to think that it means construction and facilities for secondary industry and other types of industry. I wonder whether the minister would clarify this matter. Does it mean the construction business as such or construction as an activity?

Mr. Sharp: The intention here is to cover small contractors, people who are engaged in that kind of business.

Mr. Patterson: Then it would not cover construction as far as facilities are concerned?

Mr. Sharp: No, Mr. Chairman. We are considering here the financing of a kind of business, and the kind of business is the business engaged in construction, which means, since it is a small enterprise, small contractors.

Mr. Hales: Mr. Chairman, I wonder whether we could proceed to clause 2 until the minister receives the answers to the questions raised in connection with clause 1.

Mr. Sharp: I now have the answer, Mr. Chairman. As I understnad the position, and it may be that I am misinformed, veterinarian, dental and medical clinics have not had difficulty in obtaining finance either through traditional sources or through the I.D.B. Professions, as I said, are specifically excluded. My officials in administering the act have not had, nor have I, representations relating to these professions. Personally I have not had any complaints that people who are setting up dental or veterinary clinics have had difficulty in financing the purchase of equipment. They may feel they have had more

difficulty recently than they have had in the past, but that is true of all businesses, because of the great competition for funds. But I am quite willing to listen to my hon. friend on this point.

Mr. Hales: Mr. Chairman, the need exists, whether it has come to the minister's attention or not. As the hon. member for Macleod said, the veterinarian people have had trouble in this respect; the banks sometimes do not provide these loans too freely. As I say, the need does exist, whether or not it has come to the attention of the minister. I would be pleased to move an amendment here if the minister thinks it woud be in order, but I do not wish to move it if he thinks it would be out of order. I have an amendment ready. Perhaps in order to allow the Chair to rule on it I should read the amendment. I move, seconded by the hon. member for Macleod:

• (4:50 p.m.)

That clause 1 be amended by adding thereto as subsection (8) the following:

"(8) Medical, dental and veterinary clinics."

Mr. Kindt: Mr. Chairman, I would like to add a footnote by stating that while the minister may not have received letters from people trained in veterinary sciences, young people graduating from Guelph and other veterinary institutions, they do occupy a very vital role in curing brucellosis, in the administration of certain medicines and in the checking of livestock. I believe that these people should be included among those benefiting from the small loans act. As I said before, there are instances in my own home town and in neighbouring towns where graduates in the veterinary science who are starting out in their business are handicapped by being unable to obtain loans to acquire the necessary facilities for carrying on their business. When they graduate from college it is obvious that they do not have a great deal of money, and several years go by in paying off their university debts and building up their business.

Both they and the people to whom they give their services are handicapped when no funds are available for them to acquire the proper equipment, and other things which they need to carry out the veterinary science. I would ask the minister to consider this seriously because this is a measure which the livestock industries in western Canada would greatly appreciate and for which they have asked. This is an extremely small profession. There is a veterinary college at Guelph and I think one is to be established in Saskatoon, but perhaps these are the only two such establishments in the Dominion of Canada. Most of our veterinary scientists have graduated from the Ontario veterinarian college. The number of veterinary scientists is so small that perhaps their needs for financing have not come to the attention of the Minister of Finance. In developing our livestock industry and other small businesses we should not look solely to the big interests and overlook the veterinary scientists who need working capital and funds as much as do the well established practitioners in the medical or dental field.

Mr. Sharp: Mr. Chairman, I should like to make two comments. The act does specifically exclude the business of a profession. I am not quite certain whether or not a clinic is a profession; perhaps it is run by technicians rather than by professional people. However, on the acceptability of this particular amendment I would draw your attention to the terms of the resolution, which specifically extend the guaranteed loan provisions of the act to cover loans made to small businesses engaged in construction, transportation or communications. It seems to me that the amendment goes beyond the principle embodied in the resolution.

The Chairman: Order. The amendment moved by the hon. member for Wellington South introduces into the bill a provision whereby medical, dental and veterinary clinics will be considered under the provisions of this bill. The purpose of the bill which we have before us, as explained in the resolution preceding the bill which was passed on December 13, 1966, is to extend the guaranteed loan provision of the act to cover loans made to small businesses engaged in construction, transportation and communications. I consider that the amendment moved by the hon. member for Wellington South is irrelevant both to the resolution preceding the bill and to the bill itself. I regret therefore that I must rule the amendment out of order.

Clause agreed to.

Clauses 2 and 3 agreed to.

On clause 4.

Mr. Aiken: I should like to ask the minister what is the figure representing the maximum amount. It is said here that the new guarantee will amount to $300 million. Can the minister tell us what is the figure at the present time? I note from the return made recently

that the losses are actually less than .1 per cent. It would seem that we need not be too concerned about setting a limit. I wonder whether the minister could tell us what it is at present.

Mr. Sharp: Mr. Chairman, I am not quite certain that I understand the question. The total amount of loans made in 1966 was $20 million, and that figure added to the amounts in the two previous years would give the limits under the previous $300 million quota. We are now beginning a new $300 million quota and therefore the number of loans made since January 1, since we are dating this back to that time, would be very small indeed.

Clause agreed to.

On clause 5.

Mr. Hales: Mr. Chairman, I have one short question. According to this clause the minister can spell out what construction, transportation and communications mean. Would he care to say whether community antennae businesses would be considered under communications?

Mr. Sharp: I think so, Mr. Chairman. One of the exclusions in the present act which seemed most illogical, was small radio stations. I would think that we will promulgate the regulations in such a way as to cover community antennae as well as small radio stations.

Clause agreed to.

Clause 6 agreed to.

Title agreed to.

• (5:00 p.m.)

Bill reported.

Mr. Deputy Speaker: When shall the bill be read a third time?

Some hon. Members: By leave, now.

Mr. Sharp moved the third reading of the bill.

Motion agreed to and bill read the third time and passed.

Mr. McIlraith: Item 130 on today's order paper is the motion having to do with the appointment of a special committee to deal with hate propaganda. I understand there is agreement to pass this motion now. If that is agreeable, I should like to ask that it be called now.

HATE LITERATURE

ESTABLISHMENT OF JOINT COMMITTEE TO CONSIDER CRIMINAL CODE AMENDMENTS

The house resumed from Wednesday, February 22, consideration of the motion of Mr. McIlraith:

That this house do unite with the Senate in the appointment of a special joint committee to study and report upon amendments to the Criminal Code relating to the dissemination of varieties of "hate propaganda" in Canada as set out in Bill S-49, intituled: "An Act to amend the Criminal Code";

That 12 members of the House of Commons, to be designated by this house at a later date, be members of the said committee; and that standing order 67(1) be suspended in relation thereto;

That the committee have the power to call for persons, papers and records, to examine witnesses, to report from time to time, and to print such papers and evidence from day to day as may be ordered by the committee; and

That a message be sent to the Senate informing that house that the House of Commons do unite with the Senate for the above purposes.

Motion agreed to.

BUSINESS OF THE HOUSE

Mr. McIlraith: If it is agreeable to the house I should like to announce the business for Monday at this time. We will bring forward for consideration item No. 83, the resolution of the Immigration Appeal Board matter; item No. 120; item No. 128; item No. 119; item No. 129; then the resolution that will come on the order paper on Monday but which appears under government notices of motion today; then Items Nos. 133 and 134.

Mr. Winkler: That is enough.

Mr. McIlraith: I thought I would indicate the business for Monday and Tuesday.

Mr. Deputy Speaker: The house will now proceed to consideration of private members business as listed on today's order paper, namely, public bills and private bills.

DIVORCE

SUBSTITUTION OF NEW PRINCIPLE IN DISSOLUTION OF MARRIAGE

Mr. Andrew Brewin (Greenwood): Mr. Speaker, I have consulted with representatives of the various parties in the house, and I believe this motion is not controversial at all. I move:

That the subject matter of Bill No. C-264 be referred to the special joint committee of the Senate and House of Commons on divorce.

Mr. Deputy Speaker: Does the house give consent to the hon. member for Greenwood (Mr. Brewin) to move this motion?

Some hon. Members: Agreed.

Motion agreed to.

CRIMINAL CODE AMENDMENT

REVISION OF LAW ON EAVESDROPPING THROUGH WIRE TAPPING

Mr. David Orlikow (Winnipeg North) moved second reading of Bill No. C-33, to amend the Criminal Code (wire tapping, etc.).

He said: The purpose of this bill, Mr. Speaker, is to amend the Criminal Code in order to revise the old common law offence of eavesdropping. At the present time the only penalty for wire tapping is to be found in the various provincial telephone acts wherein the penalty ranges from a maximum of six months imprisonment in Manitoba to a maximum of one month in Ontario. Some of the other provincial telephone acts contain no provision for dealing with this type of offence.

The greatest testimony to the value of this bill is the fact that the bill was originally introduced into this house by the present Solicitor General (Mr. Pennell) before he took that important office. When he became Solicitor General, I looked at the bill and made certain small revisions in it. It is now evident that in many parts of Canada eavesdropping, wire tapping or electronic bugging as it has been called, is being carried on very extensively both by police agencies and private organizations.

Some weeks ago the Attorney General of the Province of Ontario, Mr. Wishart, admitted in the Ontario legislature that the Ontario Provincial Police were involved in wire tapping. He made the comment that he urged the federal government to amend the Criminal Code to permit wire tapping by police and law enforcement agencies under certain conditions. He urged the federal government to outline the conditions under which such wire tapping would be permissible. While I am not certain, Mr. Speaker, that it is really necessary for the police to have this authority, I do recognize the problem which police and law enforcement agencies have to face. I have therefore included in clause 2 of this bill a provision which would spell out the right of the police to appear before a judge of a superior court, to give the judge reasons for requiring the right to wire tap, and for the judge to grant an order giving the police such right.

The fact is, Mr. Speaker, that in the last couple of years, from one end of Canada to the other, we have had evidence that wire tapping is being used. It is being used in a way which infringes very definitely, I submit, the fundamental right which every citizen ought to have to privacy. In British Columbia there is now a royal commission investigating wire tapping. I do not want to comment on the reasons which led to the establishment of the royal commission, nor do I want to say anything about what the royal commission may find. I do want to say that an R.C.M.P. officer made a statement before the royal commission that he had received training in the R.C.M.P. organization on methods of wire tapping. He had been involved in wiretapping, not in the particular case being investigated but in other cases.

• (5:10 p.m.)

In the city of Saskatoon evidence came to light several years ago that the only telephone which could be used by people who were locked up in the city jail had been so "looked after" that the police could listen in and record conversations by prisoners, or people kept in custody even though not convicted, including conversations of a confidential nature with lawyers. I submit that this is quite improper.

During the hearings before Mr. Justice Dorion in the province of Quebec the R.C.M.P. officers gave evidence that they had equipment which they can and do use to record conversations carried on over the telephone. During the time of the F.L.Q. bombings—and I do not for a moment minimize the seriousness of those occurrences and the difficulties experienced by the police—according to the information I have, police officials in the city of Montreal tapped at least 200 telephones in order to attempt to get information about the people involved.

It may be that these techniques are necessary, Mr. Speaker. If they are, I submit that it is incumbent upon the police and the attorney general of a province, as well as upon the Minister of Justice (Mr. Cardin) and the Solicitor General (Mr. Pennell), to make a case that they are necessary. First of all, they should change the law to permit wire tapping. Second, there should be included in such changes methods by which the police and other agencies with legitimate cause to wire tap can do so legally. I submit that unless this

is done it is not only morally wrong but is indefensible and should be prohibited by law.

In 1964 a Toronto *Star* columnist, Mr. Ron Haggart, disclosed detailed information about wire tapping by R.C.M.P. officers in the city to Toronto. The leader of this party, the hon. member for Burnaby-Coquitlam (Mr. Douglas), as well as myself, asked detailed questions of the then minister of justice, and this practice was denied. Yet both Mr. Haggart and a responsible lawyer in Toronto, Mr. Frank Nasso, wrote to me giving the details. I submitted the letter of Mr. Nasso and the columns written by Mr. Haggart to the then minister of justice. I know he had his difficulties and became ill later, but he never did reply to the very serious charges being made that wire tapping was going on.

Not only that, Mr. Speaker, but the minister of justice at that time denied that the man named in the charges was an official of the R.C.M.P. According to Mr. Nasso, this man stated that the owners of the building had given him permission to instal wire tapping equipment because he was investigating an excise case. In fact he never did have the permission of the building owners and in fact was trespassing, yet nothing was done. The matter was ignored by the minister of justice, who as I say never did reply to my letters.

I might also mention, Mr. Speaker, that the Bell Telephone Company admitted that even if they had received information that the police were engaged in wire tapping they would not have instituted any action that would lead to prosecution of the police. Perhaps this is understandable from the point of view of the Bell Telephone Company or any other company, because there are no laws to prohibit wire tapping. This is the purpose of my bill, Mr. Speaker.

I submit, Mr. Speaker, that there is sufficient evidence today that wire tapping is carried on both by the police and by private agencies. There is no law to prohibit it. If wire tapping is a necessary practice, then the Criminal Code should be amended to spell out to the people of Canada that this practice is necessary. It should not only detail when wire tapping is necessary but why it is necessary, and it should outline the kind of steps police or any other agencies which require to engage upon wire tapping should and must take before they carry on their operations.

I submit that the implications of wire tapping are so serious that it ought not to be permitted without an order from a supreme court judge, and this is precisely what I am suggesting.

As I said earlier, Mr. Speaker, the principle contained in this bill was introduced into the house and endorsed by the present Solicitor General. It has also been endorsed and adopted by newspaper editors from one end of Canada to the other.

Before I sit down, Mr. Speaker, I want to put on the record very briefly the views of some newspaper editorial writers in this country, both Liberal and Conservative in allegiance. The Toronto *Globe and Mail* for December 9, 1966 carried an editorial headed "Laws for dangerous snoops", and I should like to read the last paragraph:

> Obviously, there is a need for laws to restrain electronic eavesdropping—not just for private individuals, but for the police, the military, and everyone. Bugging is an invasion of individual privacy; the dangers of permitting such an invasion to go unchecked are far greater than those involved in depriving private and public investigative agencies of a useful tool.

An editorial entitled "The big ear is listening" appeared in the Toronto *Star* on September 5, 1964 and carried the following statement:

> What is needed is an amendment to the Criminal Code that would ban all electronic or mechanical eavesdropping. The only exception would be made for police eavesdropping with the permission of a superior court judge.

This is precisely what I am proposing, Mr. Speaker.

In an editorial headed "Wire tapping" in the Toronto *Telegram* for Friday, May 13, 1966, which was after the Solicitor General had been asked questions about wire tapping, questions which he did not answer, three choices are listed for the minister which I think are quite logical and commend to him, though unfortunately he is not here this afternoon. They are as follows:

> 1. If the R.C.M.P. resorts to wire tapping, which is illegal under the Criminal Code,—

I interject to say that I think they are wrong in this regard, too.

> —he must put an end to this practice, for the force is breaking the law. He should also announce this action to parliament and the country.
>
> 2. If the R.C.M.P. is not engaged in wire tapping, he should clear it of this suspicion at once by making a statement in parliament.
>
> 3. If Mr. Pennell believes that wire tapping is a necessary method of investigation, he should admit this. He should then introduce legislation to make it legal for the R.C.M.P. and other police forces to carry on this practice.

It has been suggested, Mr. Speaker, that we cannot deal with this question because the royal commission on security will be dealing

with it. That may well be so. However, I submit that if the law enforcement agencies of this country believe that in security cases the police require to resort to wire tapping, then they ought to say so. This contention is not in contradistinction to what I am proposing in this bill. If the law enforcement agencies can prove a case, then I submit that by passing this bill parliament can give them the right to take action.

• (5:20 p.m.)

I submit in closing that it is wrong for police agents no matter how responsible they may be to arrogate to themselves the right to decide when and where and in what circumstances they will listen to telephone conversations carried on by any citizen of this country, because I submit there is not a person in this chamber or outside this house who cannot remember at least one occasion on which he discussed matters over the telephone which would be extremely embarrassing if they came to the attention of any other person. I submit that this kind of eavesdropping is wrong in principle and that it should be stopped, and this is the purpose of my appeal.

Mr. Russell C. Honey (Durham): I want to take a few minutes in which to consider what is involved in the bill before us. The hon. member for Winnipeg North (Mr. Orlikow) has used many arguments in favour of the principle of the bill but I think there is probably no one in this chamber who would disagree with that principle. There are, however, some details on which I have suggestions to make.

My primary criticism, indeed, is that the bill does not go far enough. I would prefer that this house were dealing with Bill C-45, the bill introduced by the hon. member for York-Scarborough (Mr. Stanbury) which covers such things as electronic listening devices which are not dealt with here. However, the principle is good and it is really not necessary to convince those of us who sit on this side of the house that in principle this is desirable legislation and a good step to take.

Nevertheless, I would suggest to the hon. member, though I realize he will not agree with me, that it would be prudent and wise for us on this side of the house, and indeed for all hon. members, to wait until the commission which will undoubtedly consider these questions in relation to national security has reported. We might also do well to wait until the royal commission set up by the British Columbia government has completed its work. It is fair to say that the hon. member has ancitipated this suggestion because he himself referred to the commission set up in British Columbia.

I might also say that I am generally in favour of this bill because there is some confusion attaching to the legal aspects of intrusions on privacy. There are areas with which our common law does not deal and with regard to which we have no legislation. The bill before us will make it an offence, not being a sender or receiver of a telephone or telegraph communication to wilfully, and by means of an instrument—this is where I criticize the measure as being too narrow in its application—intercept, or record a telephone or telegraph communication. Then the penalties are set out and provision is made for an exception by authority of an order of a judge of a superior court. A further provision makes it an offence, except in certain circumstances, to disclose any information concerning the application for the granting or denial of an order.

I wish to refer quickly to the law in the United Kingdom because I think it is in a more satisfactory state in this area than is our law in Canada.

Mr. Herridge: We can learn a lot from the United Kingdom.

Mr. Honey: I have to agree with the hon. member. This is one of the reasons I am taking a minute or two to review their law. There are very few of us in this house, certainly very few common law lawyers in this house, who would argue with the hon. member when he says we can learn a good deal from the mother country in regard to the law.

The origin of the power to intercept communications can only be surmised, but this power has been recognized from very early times and has been recognized as lawful by a succession of statutes covering the last 200 years or more. There is some difference of view among United Kingdom lawyers as to the authority to intercept telephone messages.

According to one view, this power is identical with the power to open letters and rests on the ancient power to intercept communications. Another view is that it derives from statutory authority. The power to intercept communications is exercised in the United Kingdom for the prevention and detection of serious crime and for the preservation of the safety of the state.

Turning from this brief summary of the United Kingdom law, I note that the sponsor

of this bill has already alluded to the unsatisfactory situation in Canada where we have left what little legislation there is to be enacted by the provincial legislatures. The law in Canada is not nearly as clear as it appears to be in the United Kingdom. As I have said, the English law seems to base the power of the executive to intercept communications upon the power to open letters. The only statute we appear to have in Canada under federal authority, and which might be relevant, is section 41 of the Post Office Act, chapter 212 of the Statutes of Canada, 1952. There is no power under that act at all to intercept or open letters, except letters coming into Canada, even by police or government agencies for the purpose of national security.

Thus, we do not have this parallel power upon which the law in the United Kingdom is founded. The prohibition against interception of telegraphic and telephonic communication seems to be broader and I can refer the house to section 6 of the Telegraphs Act, chapter 262 of the Statutes of Canada, 1952. There is a good case for some form of legislation in Canada if for no other reason than to clarify the law.

It is undoubtedly the case that certain segments of the criminal element exploit the practice of wire tapping for illegal purposes. The problem is likely to be a growing one, as the hon. member for Winnipeg North said. It is likely to increase to an alarming degree. Provisions should be set out in the law to deal with electronic devices. The use of anything being used for the interception of telephonic or telegraphic communications should be rigidly controlled by an act of this parliament. To justify interference with the privacy and liberty of the individual Canadian there must be strict proof for the necessity of such interference. This proof must be established before a competent judicial authority.

I shall have something to say about this point in just a moment. I think we ought to follow the broad principle covered by my remarks. The power of interception should be granted and used for the prevention and detection of serious crime and for the preservation of the safety of the nation.

• (5:30 p.m.)

I shall go into detail. My criticisms, I hope will be taken as constructive criticisms, because I do not criticize the principle of the bill. Clause 2 seeks to add section 429A to the Criminal Code. It seems to me that it would not be advisable to require proof only of offences punishable by ten years imprisonment. Offences with a lesser punishment ought to be included under these provisions. For instance, we might consider frauds upon the government, municipal corruption as defined under sections 102 and 104 of the Criminal Code; we might consider the sending of false messages, or indecent and threatening telephone calls dealt with under sections 315 and 316 of the Criminal Code. We might also deal with organized gambling, under the gambling provisions of the code. All these offences carry penalties of less than ten years. I think the Criminal Code should be amended in the way I have suggested, to bring in these lesser offences. On some of these lesser offences it might be proper to make application for an order giving power to eavesdrop.

Another criticism I have is that in clause 2 the application must be made before a judge of superior court jurisdiction. This ought to be considered further. I do not say this order should be returnable before a justice of the peace, as under section 429, of the Criminal Code. Search warrants are obtained from a justice of the peace. I think the order should be made returnable to an official higher than a justice of the peace, but lower than a superior court judge. In some areas of Canada it is often difficult to have access to a judge of the superior court. It seems to me that we could rely on the judicial function of a county or district court judge. County judges should have concurrent jurisdiction with superior court judges. This is important, as I said, because it is often difficult to have access to judges of superior court jurisdiction.

The other matter I mention criticizes a detail of the bill, not its principle. Again I refer to clause 2. It seems to me the provision that the order extend for one month is much too rigid. I suggest to the sponsor that this provision would inhibit the investigation of suspected offences. I think a three month order ought to be considered; possibly a six month order would be better. The investigating officials would not be hampered by having to come back to a judge after a month for an extension of the original order.

I conclude by saying that in principle I think this legislation is desirable. I think the bill ought to go farther than it does. It should cover items of electronic intrusion I mentioned earlier. All hon. members should support the measure when the point is reached where the house may make a decision. That point will probably be reached when we are

able to read the report of the royal commission dealing with security matters, and after we have given the commission an opportunity to recommend what should be done about the matters we are now considering. We should also read the report of the British Columbia royal commission on this subject. As I say, when we have read these reports we shall be in a position to enact legislation along the lines of the bill before us.

For the reasons I have already suggested, the bill should be changed. In general, however, the legislation should be enacted. It should be operative in respect of the new devices of this electronic age which intrude on the privacy of the Canadian people.

Mr. Aiken: Would the hon. member permit a question? Does he think that the royal commission on security will deal with the subject of this debate?

Mr. Honey: I have no more reason to think it will deal with this subject than my hon. friend has. From the terms of reference under which the royal commission was set up, it seems reasonable to assume that it would want to consider these matters, because they pertain to the security of Canada. I think my assumption is reasonable.

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, I rise to support the principle of this bill. My remarks are limited to wire tapping only, to that one aspect of the invasion of privacy.

I agree with the hon. member who has just taken his seat, that this is one subject that, under present circumstances, must be covered by an amendment to the Criminal Code. Of course the amendment must include the other devices that can invade the privacy of the citizen. The introduction of this bill provides an opportunity for members to express their opinion on this subject. I suppose it is fair to say, as a result of the happenings of recent date, that all members in the house support an amendment to the Criminal Code that will meet the situation with which we are faced at this time. The provincial legislatures have legislation in some cases which applies to telephone companies, the prevention of wire tapping, and so on. This matter has come before a number of provincial legislatures. That, however, is not the only aspect of the problem with which the provincial legislatures are entitled to deal.

• (5:40 p.m.)

I think we all realize that in order to deal satisfactorily with the problem we should have an amendment to the Criminal Code of Canada. I remember that the question of wire tapping was the concern of a number of people as far back as 1924. The other devices had not been invented at that time. People were concerned with wire tapping on the part of companies in some cases, on the part of the police, and on the part of other persons. I remember as far back as that time resolutions being passed by trade unions particularly, and in some cases by other organizations, which were concerned with the practice of wire tapping.

I believe that recent events have caused a great surge of interest in this problem generally, and among members of this house particularly, since the refinement of the devices which can be used for the invasion of a person's privacy, and the new devices which have been developed in the electronic age. I do not have any documents here which deal with the interest the various organizations took in this matter many years ago, but in recent years this has been the concern of trade unionists. I should like to quote from a memorandum in support of the proposed legislation presented by Hon. W. A. C. Bennett, premier, and members of the provincial cabinet on January 14, 1964 which was signed by Mr. E. P. O'Neal, secretary treasurer of the B. C. Federation of Labour. This is the memorandum:

> The rights of all British Columbians to personal privacy are jeopardized by three recently developed practices. The first is the practice of wire tapping.

I suppose that is the most ancient of these devices.

> Some of our affiliated unions have from time to time expressed strong suspicions that their telephones have been "tapped." The widespread use of this practice in the United States is well known. Undoubtedly it occurs in Canada, and legislation is required to outlaw it completely.
>
> A second unsavoury practice which is becoming increasingly common is that of secreting listening devices to spy on employees. We have had several complaints about this matter and at least one case where the employer was forced to admit that they had been guilty of this practice. Surely, no British Columbian "could defend such loathsome invasions of personal privacy. Legislation is needed immediately to outlaw any use of hidden listening devices, with severe penalties for violation."

That memorandum expressed the sentiments of the trade union in question, but unfortunately the gentleman who presented this memorandum to the cabinet of British Columbia, as a representative of the B.C. Federation of Labour, has fallen from grace since then. We now know that he did not even use his correct name. We now know his

name is Thomas Casey. That is another matter.

As a result of the bugging of the Canadian pulp and paper workers, which union I did my level best to promote in my constituency because of what I thought of the tyrannous aspect of the Washington office of the pulp and paper workers, we have had this invasion of their privacy in Vancouver. It was intended that what occured at the executive meeting of the union should be recorded on tape by the use of this device. That stirred up a great deal of interest in the trade union movement in British Columbia. As a matter of fact, I have a phone call nearly every day connected with some aspect of this problem. This also has been of interest to the people in British Columbia and the newspapers. I should like to quote from the Vancouver *Province* of January 16, 1967:

Get on with 'anti-bugging' laws . . .

Canadian legislators should lose no time in considering stricter regulations against all forms of "bugging", wire tapping or otherwise invading human privacy.

The investigation of the "bugging" of a local union underlines the need for more comprehensive laws against the evils of electronic snooping.

President Johnson proposes to recommend U.S. legislation to ban all public and private spying except in instances where national security is threatened.

"We should protect what Justice Brandeis called the 'right most valued by civilized men'—the right to privacy", declared the president last week. "We should outlaw all wire tapping—public and private —wherever and whenever it occurs, except when the security of the nation itself is at stake—and then only with the strictest safeguards.

"We should exercise the full reach of our constitutional powers to outlaw electronic 'bugging' and 'snooping'.

The need for anti-eavesdropping laws may be more widely comprehended when it is understood how sophisticated snooping has become. It is now possible to direct an electronic beam against a distant window pane, and from the minute vibrations created by voices within, listen to the conversation. When the human ear has been extended by technology to this extent the need for tougher laws against eavesdroppers becomes evident.

I think the *Province* in that editorial is expressing the opinion of a good many people in British Columbia. Then, on November 12, 1966, the Vancouver *Sun* followed with this editorial, headed "Several Kinds of Bugging":

No matter whether practical politics or high principles motivated Premier Bennett in ordering a royal commission into "bugging", the public's immediate interest is in the prospect of obtaining better protection of its right to privacy.

Some new defences against electronic intrusion are likely to flow from Judge R. A. Sargent's inquiry into this week's discovery of listening devices planted in a downtown hotel. Comment on the case itself, involving trade union rivalry, must be withheld until the commissioner's findings are made.

Still, the judge's terms of reference clearly show that the premier's expressed alarm does not spring solely from a sudden desire to safeguard British Columbians in the intimacy of their own premises. Mr. Bennett also intends to expose "the cause of, the motives for, and the background leading to" this particular affair.

Then they go on to deal with the whole problem in a more philosophical vein. I have had letters from the I.W.A. in Vancouver, New Westminster and Vancouver Island expressing concern about this. I also have had letters from members of the B.C. Federation of Labour and from locals in other parts of British Columbia.

I should like to say this, Mr. Speaker: I have been agreeably surprised to notice that while they are determined to do something to persuade the government to take action to amend the Criminal Code, which will prevent the invasion of a person's privacy, they also show their responsibility by recognizing that there are two circumstances which require protection: the safety of the state, and the administration of the criminal law under certain difficult circumstances. I have here a copy of a resolution from one trade union which proposes that they—

(1) call on the federal government to take firm action against officers of the R.C.M.P. responsible for this shocking affair, and to publicly instruct the R.C.M.P. to cease and desist from activities on behalf of foreign agencies and governments which in any way violate the civil rights and democratic freedom of the Canadian people;

(2) Vigorously condemn the spy role of Pat O'Neal of the international brotherhood of pulp, sulphite and paper mill workers;

(3) Call on the federal government to act immediately on new legislation which will protect all citizens from eavesdropping and spying, through electronic devices, phone tapping and all other such means, and to provide heavy penalties for any violation of the law.

• (5:50 p.m.)

I have received a number of resolutions in similar vein. This indicates the interest of the trade unions in this topic. I think it is a very healthy sign to see them interested in a problem that affects the rights of all Canadians and to see them accepting their full responsibility in this respect. The *Province* of February 8, 1967, contained an interesting article in which Mr. Jack Webster condemned this practice. The article is headed, "Bugging 'evil', inquiry told by broadcaster". The article says:

Open line broadcaster Jack Webster condemned electronic eavesdropping as evil Tuesday.

But he stopped when it came to defining the legal complexities in outlawing bugging.

Webster testifying before the royal commission into invasion of privacy, was asked to give his interpretation of the meaning of privacy.

It was, he said, the right to khold a conversation without being spied on.

Commissioner R. A. Sargent said he wasn't trying to start an argument, but in his view it would be difficult to legally define the meaning of the word "privacy". "It can take many forms," he said.

Replied Webster: "To me any person who eavesdrops without authority, by electronic device, is guilty of invasion of privacy."

The fact was later brought out that unfortunately a corporal of the R.C.M.P. and a former member of the force co-operated together to advise Mr. Pat O'Neal, as he was then known, how to proceed to bug a convention being held by another union. That is, of course, the reason for the investigation being conducted in Vancouver. We cannot say very much about that investigation, we have to await the report of the commissioner; but it has stirred a very healthy interest in this question.

It also stirred the interest of the hon. member for Kootenay West, Mr. Speaker. I have spent over two months consulting trade unions in British Columbia, other persons and legal gentlemen who are not members of the House of Commons. On Monday I hope to introduce a bill that is the result of a considerable study of the practice in the United States and in Great Britain in dealing with this kind of issue. As I say, I hope to introduce this bill next Monday, and it will be termed an act respecting the right of privacy. I must say that this bill was not drafted off the cuff, as it were; a great deal of time was taken on this question and I consulted persons whose opinions I respect very much indeed.

Mr. Speaker, I see that the Prime Minister (Mr. Pearson) has now entered the chamber. I am quite confident he has something interesting to tell the house. Therefore, I again express my support for the principle of the bill and am grateful for this opportunity for members to express their opinions on it. I trust that not later than the receipt of the report of the royal commission investigating security the government will take action to amend the Criminal Code to protect the rights of all citizens of Canada.

Mr. D. S. Macdonald (Rosedale): Mr. Speaker, it has been a useful exercise, discussing this question of wire tapping. We have just heard an interesting presentation by the hon. member for Kootenay West (Mr. Herridge) concerning his fellow British Columbian, Paddy O'Neal and his fall from grace. We found this very interesting.

Mr. Herridge: Excuse me, Mr. Speaker. To be quite correct, the name is Pat O'Neal. They are two different people.

Mr. Macdonald (Rosedale): I very much appreciate being corrected by the hon. member. I thought just to complete the record it might be useful to complete the hagiography, I suppose one should say—the study of the lives of the saints—and should put on the record the attitude of the C.C.F. government of Saskatchewan in connection with this matter. As the hon. member will recall, this question was dealt with and is on the record of *Hansard* for June 21, 1965, at page 2736. It stands as a monument to the interest of the hon. member for Winnipeg North (Mr. Orlikow) in this question.

The hon. member for Winnipeg North had at that time described the practice followed by the R.C.M.P. in connection with the Rivard case as being morally wrong, as he said here today. I had the opportunity to point out to him that the identical practice had been followed by Hon. Robert Walker, the former C.C.F. attorney general of Saskatchewan and a close colleague and associate for at least five or six years of the hon. member for Burnaby-Coquitlam (Mr. Douglas).

Hon. members will recall that there was certain discussion of efforts to bribe Hon. Robert Walker, and he issued a press release pointing out that he in fact had a recorder attached to his telephone. Although the hon. member for Winnipeg North has said this practice is morally wrong, I would point out that the C.C.F. attorney general of Saskatchewan had a recorder attached to his telephone. He said he had been engaging in this practice. One of the more interesting aspects of that debate occurred when I remarked:

As hon. members will recall, what the hon. member described was not a wire tap but a recording. In fact, it was the same practice used by the government over which the hon. member for Burnaby-Coquitlam presided when he was premier of Saskatchewan.

Mr. Douglas: That is not true.

Mr. Macdonald: Then in that event, if the hon. member will listen, I should like to read a statement made by the former Attorney General of Saskatchewan, Hon. Robert Walker, as reported in the Saskatoon *Star-Phoenix* for December 17, 1964.

I thought it might be useful to have that little incident on the record to show that

when hon. members of the New Democratic Party introduce these arguments with respect to wire tapping, they do so from an intimate knowledge of the practice, a practice which was followed right into the office of the former C.C.F. Attorney General of Saskatchewan.

May I for a few minutes refer to the bill itself. I notice that the hon. member who has introduced the bill has used the—

Mr. Speaker: Order, please. I regret that I have to interrupt the hon. member, but the time allotted for the consideration of private members business has now expired.

Mr. McIlraith: Mr. Speaker, I would ask that the house revert to motions for the purpose of tabling a document.

Mr. Speaker: Is this agreed?

Some hon. Members: Agreed.

FINANCE

TABLING OF REPORT OF CARTER COMMISSION ON TAXATION

Hon. Mitchell Sharp (Minister of Finance): Mr. Speaker, with the leave of the house I should like to table the report of the Royal Commission on Taxation. It was delivered to the Prime Minister (Mr. Pearson) on Wednesday of this week. There are, as hon. members will see, six volumes in English. There are four full volumes here of the French version, plus the conclusions and recommendations in French of the two other volumes, namely volumes 4 and 6. When we have received volumes 4 and 6 in the French language, they will of course be tabled promptly.

As the house can plainly see, this is a very long report on the result of an inquiry that has been under way since the commissioners were appointed in September, 1962. The majority of the commission, I am informed, has recommended many novel and important changes in our tax laws, which are complicated and interrelated. It will take a long time for hon. members and the public to read these reports and to assess the recommendations and arguments pro and con. There will inevitably be many differing views as to what should be done about the proposals.

• (6:00 p.m.)

The government intends to study the report and the views expressed on it during the next few months, before reaching conclusions about the recommendations made by the commission or alternative suggestions from other sources. In the meantime, we do not intend to comment upon the substance of the report, nor indicate our intentions concerning its recommendations. Any premature comments, or forecasts of our intentions on these matters, could have substantial effects upon markets and upon business decisions. There will no doubt be uncertainty in some of our markets and in some industries during the period that is necessary to come to wise decisions after public discussion of these important but contentious issues.

Mr. Speaker: Has the minister leave to table the report?

Some hon. Members: Agreed.

Mr. Knowles: Mr. Speaker, may I ask the minister whether he was able to make the arrangements to which he referred this morning to have copies of the report delivered to all members immediately?

Mr. McIlraith: Mr. Speaker, I wonder if I may explain to the house that arrangements were made to have copies of this report delivered to each member of the house immediately it was tabled. The messengers are in possession of the copies now and they will be delivering them momentarily.

Mr. Knowles: We can hardly wait to get to our offices.

It being five minutes after six o'clock the house adjourned, without question put, pursuant to standing order.

[The following item was passed in Committee of Supply this day:]

FINANCE

L30e

HOUSE OF COMMONS

Monday, February 27, 1967

The house met at 2.30 p.m.

COMMONWEALTH RELATIONS

OBSERVANCE OF STATEHOOD DAY CEREMONIES IN WEST INDIES

Right Hon. L. B. Pearson (Prime Minister): Mr. Speaker, I should like to draw the attention of hon. members to the holding of Statehood day ceremonies beginning today on the islands of Antigua and St. Christopher-Nevis-Anguilla, to be followed by similar ceremonies on the island of St. Lucia on March 1 and Grenada on March 3. Statehood day ceremonies will also be observed on the islands of St. Vincent and Dominica on dates to be announced later.

These Statehood day ceremonies mark the assumption of a new constitutional status of association with Britain based on agreements negotiated by the six commonwealth Caribbean islands and the British government. The new constitutions provide for full internal self government while Britain remains responsible for defence and external relations, apart from trade, aid and migration.

The new constitutions of the West Indian Associated States will enable them to play a full role in the development of the new and closer relationship between Canada and all the Commonwealth Caribbean countries.

I know hon. members will join me in extending sincere good wishes for the future to the West Indies Associated States as they assume their new status.

Right Hon. J. G. Diefenbaker (Leader of the Opposition): Mr. Speaker, this is one occasion when we all can join in complete agreement with what has taken place among the states in the Caribbean, and in paying tribute not only to the residents of the various areas and islands but also to the beneficent efforts of Great Britain in providing these people with a form of government by which they are ensured a civil service system to maintain and carry out the democratic principle.

I certainly join with the right hon. Prime Minister in offering congratulations not only to these several countries and their leaders but also to a commonwealth which makes possible the development and expansion of those countries which come under its sway, so that when the days of colonialism are over these countries may take their place as part and parcel, either directly or indirectly, of the commonwealth as a whole.

Mr. T. C. Douglas (Burnaby-Coquitlam): Mr. Speaker, the members of this party wish to join with the right hon. Prime Minister and the right hon. Leader of the Opposition in extending our congratulations to the West Indies Associated States on this very historic occasion. I am certain that when the history of our era is written one of the great triumphs of the United Kingdom will be recorded as the manner in which during the past 25 years it has divested itself of an empire and created a commonwealth of free nations freely associated together. This is a transition which has come about peacefully and with a very high degree of statesmanship.

Now that the constitutions of the West Indies Associated States are set up, these states will have many economic and political problems. I should like to make the appeal I have made before in this house, and express the hope that Canada will take a much greater interest in the Caribbean area. The people there are close to us; many of them speak either English or French. We are admirably suited, both by language and common association in the commonwealth, to play an important role in their economic, cultural and social development. I hope that Canadians will take this responsibility seriously and play an ever more important role in the development of that particular area of the world.

[*Translation*]

Mr. Raymond Langlois (Mégantic): Mr. Speaker, the members of our group join with the Prime Minister (Mr. Pearson) and the spokesmen of the various parties in the house to say how happy we are to see that the West Indies Associated States had the courage to direct their own affairs. In this age of progress, colonialism is gradually disappearing. We are happy to see also that while moving ahead those people are keeping alive the democratic spirit of the free world.

West Indies Associated States

Mr. Speaker, since the importance and influence of those associated states throughout the world are unquestionably growing, it is desirable that Canada should maintain relations with those states to be able, if need be, to give them help or ask them for help. I think that Canada must take an interest in those new nations: they need help and we can help them. We can also assure them of our friendship particularly in view of the present conditions in the world. The bond of friendship and understanding between democratic countries must be strengthened and I think that Canada must assure the West Indies of her co-operation and help.

It is with pleasure, Mr. Speaker, that I add the wishes of our group to those of the Prime Minister. I hope that the present government and all those which will come after it will always be inspired by that spirit of friendship and mutual help so vital to the survival of the free world.

• (2:40 p.m.)

[*English*]

Mr. A. B. Patterson (Fraser Valley): Mr. Speaker, the members of the Social Credit party wish to associate themselves with the Prime Minister and other speakers in extending greetings and best wishes to the West Indian Associated States. I am sure it was a matter of concern and regret that the West Indies federation failed to measure up to the expectations and hopes of the member states. We do trust that in this new association these countries will find a vehicle by which they will be able to move forward socially and culturally in the development of their respective economies.

Those of us who had the opportunity of attending the commonwealth conference in Jamaica two years ago were impressed by the fact that many of the representatives of the West Indies group spoke so highly of Canada and its endeavours to be of assistance throughout the years. They were looking forward to closer co-operation, and believed that Canada occupied a wonderful position to assist them in achieving their true destinies. Therefore we look forward to working for and with them in the achievement of this objective.

AGRICULTURE

EGGS—ANNOUNCEMENT OF SUPPORT PRICE

Hon. J. J. Greene (Minister of Agriculture): Mr. Speaker, I wish to inform the house that the agricultural stabilization board has been authorized to support the price of eggs by a deficiency program for the 12 month period ending September 30, 1967. The support level is at a national average price of 34 cents per dozen for grade A large eggs to the producer. This level is approximately 98 per cent of the national base price or ten year average.

The eligibility per producer for assistance will be to a maximum of 10,000 dozen, as compared with last year when the support level of 34 cents per dozen was limited to 4,000 dozen, with a support level of 31 cents per dozen for the next 6,000 dozen grade A extra large, large and medium eggs.

Mr. Reynold Rapp (Humboldt-Melfort-Tisdale): Mr. Speaker, I welcome this announcement, but I must say that as far as the western provinces are concerned the deficiency payments are unjust because they are not to be made on a regional basis. Had that been the case the three western provinces would also have been eligible. I am glad, however, that these deficiency payments are now to be paid on 10,000 dozen eggs rather than on 4,000 dozen as has been the case in the past.

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, I wish to briefly refer to the statement by the Minister of Agriculture. I want to read it over carefully because I am not too sure that I understood it completely. I am of the opinion that the price is too low, but I should like to confer with the poultry producers in western Canada before saying anything definite on the question.

Mr. Kindt: I have a supplementary question, Mr. Speaker.

Mr. Speaker: Order, please. There can be no supplementary question at this time. A ministerial statement has been made by the minister and comments have been made by representatives of the parties in opposition. The rules do not provide for supplementary questions to be asked at this time. I will recognize the hon. member on questions.

BUSINESS OF THE HOUSE

REPRINTING OF BILLS AMENDING BANK ACT AND QUEBEC SAVINGS BANKS ACT

Hon. G. J. McIlraith (Minister of Public Works): Mr. Speaker, many amendments have been made to Bills C-222 and C-223, amending the Bank Act and the Quebec Savings Banks Act, by the standing committee to which they were referred. That committee has passed a motion to the effect that the bills as amended be reprinted. I would

ask the house for consent to have that done. I am told that the consent of the house is necessary before this can be done. From the number of amendments it is obvious that this reprinting will be of great convenience to hon. members.

Mr. Speaker: Is this agreed?

Some hon. Members: Agreed.

Mr. Speaker: It is so ordered.

BRITISH NORTH AMERICA ACT

AMENDMENTS RESPECTING PROVISIONS CONCERNING ELECTIONS

Hon. R. A. Bell (Carleton) moved for leave to introduce Bill No. C-272, to amend the British North America Act, 1867 (duration of House of Commons).

Some hon. Members: Explain.

Mr. Bell (Carleton): Mr. Speaker, this bill is a personal centennial project designed to provoke discussion in depth of the state of parliamentary and responsible government in 1967. To achieve its aim of restoring the independence of private members of parliament, the bill has four features. It would abolish the royal power of dissolution and substitute fixed dates of elections, subject to the right of the House of Commons itself and not the Prime Minister to determine a different and earlier date.

Second, defeat of a government proposal would lead to an election only if the house itself so determined by resolution.

A third and concomitant provision of the bill is that the House of Commons would have continuous legal existence, and in case of international or national crises parliament could be called into session even during an election campaign.

Finally, parliament would be required to make financial provision for the administration during an election period, and governor general's warrants would be abolished. The bill would apply to the twenty eighth and subsequent parliaments.

Motion agreed to and bill read the first time.

HUMAN RIGHTS

PROVISION FOR MAINTENANCE OF RIGHT OF PRIVACY

Mr. H. W. Herridge (Kootenay West) moved for leave to introduce Bill No. C-273, respecting the right of privacy.

Mr. Speaker: Is it the pleasure of the house that the hon. member shall have leave to introduce the said bill?

Some hon. Members: Agreed.

Mr. Herridge: Mr. Speaker, I wish to introduce this bill entitled "An act respecting the right of privacy". Mr. Justice Brandeis has referred to the right of privacy as the right most valued by civilized men. Several outstanding jurists in Canada share the same opinion. It is advisable to protect that right adequately and to stop the various forms of invasion of privacy. Recent unfortunate events in British Columbia have focussed public attention on this question.

I am introducing this bill at the request of certain members of our party in British Columbia and certain trade union members in that province. After reading of the consideration that is being given to this question in other countries I have spent a good deal of my spare time studying this subject.

The purpose of this bill is to provide that wire tapping and eavesdropping be prohibited except in cases of the administration of justice and the security of the state.

Motion agreed to and bill read the first time.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

STUDY OF SYNTHETIC DETERGENTS

Question No. 2,443—**Mr. Howe (Wellington-Huron):**

1. Is any government department or agency making a study of synthetic detergent residuals in Canadian lakes and rivers and, if so, what agency or department?

2. Is any department giving consideration to the need for developing standards of bio-degradability for synthetic detergents offered for sale in Canada?

Hon. Jean-Luc Pepin (Minister of Energy, Mines and Resources): 1. Yes. Synthetic detergent residuals are of two types: an organic surface-active agent and inorganic phosphates. The water quality and engineering group, water research branch, Department of Energy, Mines and Resources occasionally check certain waters for surface-active substances. In their country-wide quality network and in other survey studies, determinations of phosphate contents are routine practice. Analyses of water for both these constituents of detergents are being extended, especially

with regard to surface-active agents. The chemical analytical programs of energy, mines and resources in support of the International Joint Commission reference on pollution in lakes Ontario and Erie, 1966 and 1967 summers, include tests for nutrients which may, in part, have been introduced to the lakes from synthetic detergent residuals.

2. No. No work has been done to date relative to developing standards of bio-degradability. When facilities and staff are available, it is planned to study methods of removing phosphates and it may be that biological methods will be studied. Research in these fields will be primarily of an applied nature.

FEDERAL GRANTS TO SAINT-HYACINTHE, QUE.

Question No. 2,469—**Mr. Ricard:**

From July 1, 1957 to December 31, 1963, what were the amounts of grants made to (a) the poultry co-operative of Saint-Damase, county of Saint-Hyacinthe (b) Saint Charles hospital, in Saint-Hyacinthe (c) l'Institut des textiles, of Saint-Hyacinthe?

Hon. Judy V. LaMarsh (Secretary of State): I am informed by the Departments of Agriculture, National Health and Welfare and Industry and Defence Production as follows:

(a) $54,292.03.

(b) Saint Charles hospital, Saint-Hyacinthe:

Under the general health grants and hospital construction grants program of the Department of National Health and Welfare, the following federal assistance was provided during the period July 1, 1957 to December 31, 1963 on the basis of projects submitted by the province:

A hospital construction grant of $16,896.95 was approved and expended in the fiscal year 1960-61 toward renovations to provide an enlarged radiology department.

In fiscal years 1959-61 an amount of $32,-982.70 was provided for the purchase of radiological and laboratory equipment to assist in the expansion of diagnostic services.

Payments in the amount of $77,923.53 were made under the cancer control grant for the maintenance of an outpatient cancer clinic at this general hospital.

(c) None.

REGIONAL DIRECTORS, INDIAN AFFAIRS

Question No. 2,494—**Mr. Orlikow:**

1. How many regional directors are there in the Department of Indian Affairs and Northern Development?

2. What are their names?

[Mr. Pepin.]

3. What are their academic qualifications?

4. How long have they held these positions?

5. What was their previous experience in working with Indians either in the department or elsewhere?

6. What are their duties and responsibilities and to whom do they report?

Hon. Arthur Laing (Minister of Indian Affairs and Northern Development): 1. 8.

2. Name	Region
Francis B. McKinnon	Maritime
Roméo Boulanger	Quebec
John G. McGilp	Ontario
Robert M. Connelly	Manitoba
Frederick A. Clark	Saskatchewan
Ralph D. Ragan	Alberta
Jefferay V. Boys	British Columbia and the Yukon Territory
Norman K. Ogden	District of Mackenzie

3. F. B. McKinnon: Academic qualifications: (a) Senior Matriculation (4 years), Nova Scotia; (b) Normal College, Truro, N.S., teaching certificate. R. Boulanger: (a) Levis College, B.A., (b) Laval University, B.S.A. J. G. McGilp: (a) High School graduation; (b) Lancaster Teaching College, England, permanent teacher's certificate, England, teacher's certificate, Alberta; (c) University, economics and economic history (1 year). R. M. Connelly: (a) Gr. XII, Manitoba; (b) University of Ottawa, B.A.; (c) Normal School, Winnipeg, 1st class teacher's certificate; (d) University of Manitoba, B. Ed. F. A. Clark: (a) Gr. XIII, province of Ontario. R. D. Ragan: (a) Grade XIII, Nebraska, U.S.A. J. V. Boys: (a) London University, matriculation, equivalent to 2nd year university. N. K. Ogden: (a) Grade XI, Ontario.

4.

Name	Date of Appointment
Francis B. McKinnon	Since April 2, 1949
Romeo Boulanger	Since May 16, 1955
John G. McGilp	Since January 1, 1966
Robert M. Connelly	Since August 24, 1964
Frederick A. Clark	Since April 4, 1966
Ralph D. Ragan	Since August 5, 1964
Jefferay V. Boys	Since August 1, 1961
Norman K. Ogden	Since Dec. 26, 1962

5. F. B. McKinnon: (a) Two and one half years clerical experience at Shubenacadie Indian agency, N.S.; (b) Three and one half years, superintendent, Indian agency, Eskasoni agency, N.S. R. Boulanger: (a) Approximately eight years as settlement officer (D.V.A.) on field duties working out of Quebec, P.Q. J. G. McGilp: (a) Three years teacher and principal at Peigan and St. Paul's Indian schools, Alberta.; (b) One and one half

years, superintendent, Indian agency at Yellowknife and Fort Smith, N.W.T.; (c) Five and one half years regional director, Indian affairs for the Mackenzie district and the Saskatchewan region. R. M. Connelly: (a) Seven years as teacher and principal at Sandy Bay Indian day and residential schools; (b) Three years as inspector of Indian schools in Saskatchewan; (c) Three years as regional superintendent of Indian schools in Saskatchewan. F. A. Clark: (a) Two years clerical experience, Stikine Indian agency, B.C.; (b) Twelve years as superintendent, Indian agency at the Stikine, Kamloops and Cowichan agencies, B.C.; (c) Three years regional supervisor 1, Indian agencies, Vancouver; (d) One and one half years assistant chief of social programs, Ottawa. R. D. Ragan: (a) Nine years clerical experience at the Blackfoot agency, Alberta; (b) Eight years superintendent, Indian agencies, at Blood and Stoney-Sarcee agencies, Alberta; (c) Three years assistant regional supervisor and regional supervisor, Manitoba region; (d) Two years administrative officer, welfare division, Ottawa; (e) Four years assistant chief, welfare division, Ottawa. J. V. Boys: (a) Thirteen years, superintendent, Indian agency at the Kootenay, Babine, Kamloops and Cowichan Indian agencies, British Columbia; (b) Two years assistant director of inspection services, Ottawa. N. K. Ogden: (a) Six years clerical experience, reserves and trusts division, Indian affairs branch, Ottawa; (b) Eleven and one half years junior administrative and administrative duties in connection with reserves administration, Indian affairs, Ottawa; (c) One and one half years, superintendent, Indian agency, Meadow Lake, Saskatchewan.

6. The duties and responsibilities for the regional directors in the Maritime, Quebec, Ontario, Manitoba, Saskatchewan, Alberta, British Columbia and Yukon Regions are as follows: (1) Directs the administration in the region of Indian affairs branch programs which encompass all aspects of social, economic and community development of Indians. (2) Meets with Indians, individually and in groups and associations to discuss problems and develop programs and policy relating to social, community and resource development at various stages of development to ensure that branch objectives of integration and development are promoted in accordance with the desires of the Indians. (3) Reviews programs and regional conditions in order to report progress of programs, determine the need for specialist assistance and initiate new or changed programs or policies. (4) Develops and maintains effective working relationships with officials of other departments, provincial and municipal governments and the general public and organizations by explaining departmental programs and objectives.

In the Mackenzie district the duties and responsibilities of the regional director are as follows: To have administrative responsibility for band membership, Indian estates, Indian treaties, enfranchisement, revolving fund loans, the cultural affairs program, the community development program, the Indian affairs scholarship program and the Thomas Longboat awards in the Mackenzie District; to act in an advisory, consultative and liaison role with the northern administration branch in the Mackenzie District; to work with the Indian advisory council; to have financial responsibility for the operations of the regional office. All regional directors report to the director of Indian affairs branch.

FEDERAL CONTRIBUTION TO ROADS, ETC., IN PORT OF MONTREAL

Question No. 2,505—**Mr. Davis:**

What has been the total cost to the federal treasury, since 1960, of roads, highways and bridges built within the confines of the port of Montreal and charged either to the National Harbours Board or to Expo '67?

Hon. Judy V. LaMarsh (Secretary of State): I am informed by the Departments of Trade and Commerce and Transport as follows: The cost of roads, highways and bridges within the exhibition grounds is $23,248,580, of which $19,027,070 will be permanent and $4,221,510 temporary. The total asset value of the permanent bridges and roads is $15,221,650, leaving a balance of $3,805,420.

The National Harbours Board advises as follows: $37,635,131 in so far as the National Harbours Board is concerned.

ASSISTANCE TO GERALDTON, ONT.

Question No. 2,559—**Mr. Andras:**

1. In view of the announced cessation of operations of the MacLeod-Cockshutt and Consolidated Mosher Gold Mines at Geraldton, Ontario, specifically (a) what federal government assistance can and will be given to the displaced employees and their families (b) what federal government assistance can and will be given to the remainder of the townspeople whose economic livelihood, property values and businesses will be jeopardized?

2. Has the government of Canada full jurisdiction and responsibility in this matter, or does it share this jurisdiction and responsibility with the government of the province of Ontario and, if so, what is the division of such jurisdiction and responsibility?

Questions

Hon. Judy V. LaMarsh (Secretary of State): I am informed by the Department of Manpower and Immigration as follows: 1. The Minister of Manpower and Immigration announced on 2 February 1967 that he had designated Geraldton under the manpower mobility regulations for a period of 12 months. Under this designation, (a) ex-employees of MacLeod-Cockshutt and Consolidated Mosher Gold Mines can obtain grants to move with their families to other areas where employment is available for them; (b) any unemployed worker in Geraldton can obtain a grant to move with his family to another area where there is employment for him.

Except in the case of a worker without dependants who is eligible to receive a grant for his transportation only, the grants include the cost of transportation for a worker and his dependants, the cost of moving the family's household effects and a resettlement allowance.

2. The manpower mobility program is a federal government program.

THOS. J. CASEY—ENTRY INTO CANADA

Question No. 2,567—**Mr. Ormiston:**

1. In what year did Thomas Joseph Casey, also known as Patrick Edward O'Neale, enter Canada?

2. Did he enter Canada legally and, if not, how long did he remain in Canada illegally?

3. In what year did he approach the immigration authorities requesting permission to remain in Canada?

4. Did Thomas Joseph Casey, also known as Patrick Edward O'Neale, inform the department that he was secretary of the British Columbia Federation of Labour?

5. What was the decision of the department and on what date was he granted landed immigrant status?

Mr. J. C. Munro (Parliamentary Secretary to Minister of Manpower and Immigration): 1. Immigration records indicate that one Thomas Joseph Casey entered Canada in 1947.

2. He entered as a ship deserter and remained in Canada illegally for 16 years.

3. 1963.

4. Yes.

5. The decision was to allow Mr. Casey to remain in Canada and he was granted landed immigrant status on December 23, 1963.

*GRANTS FOR BUILDING OF CORN CRIBS

Question No. 2,582—**Mr. Ricard:**

Does the federal government make grants for the building of corn-cribs?

[Mr. Andras.]

[*Translation*]

Mr. Albert Béchard (Parliamentary Secretary to Secretary of State): As far as the Department of Agriculture is concerned, there is no government financial assistance program for building corn-cribs for producers.

As for the Department of Industry, under the Area Development Incentives Act, grants are available for the construction of natural corn-cribs that are part of new or expanding manufacturing or processing facilities, in a specified location, such as a feedmill, for instance.

[*English*]

ICEBREAKING ON ST. LAWRENCE RIVER

Question No. 2,586—**Mr. McCleave:**

1. How many icebreakers have operated on the St. Lawrence river, between Montreal and Quebec city during the winter months, by month, during the past nine winters and the current winter and what are the names of such icebreakers?

2. How many miles of icebreaking operations were carried out by Canadian icebreakers operating between Montreal and Quebec city on the St. Lawrence river during each of the past nine winters and to the end of January of this winter?

3. Are special charges to defray the costs of such icebreaking operations imposed upon vessels which operate over channels opened by icebreakers in the above-mentioned area?

Mr. J. A. Byrne (Parliamentary Secretary to Minister of Transport): 1. Winter 1966-67: Four icebreakers are engaged in flood control duties in the St. Lawrence River this current winter. These ships are the full icebreakers *N.B. McLean, Saurel, Wolfe* and *Ernest Lapointe.*

Winter 1965-66: The icebreakers *N.B. McLean, Saurel, Wolfe* and *Ernest Lapointe* were used and in addition the icebreaker *Montcalm* provided extra support for a period of seven days during January 1966.

Winter 1964-65: The icebreakers *N.B. McLean, Ernest Lapointe, Saurel, Montcalm* and *Wolfe* were deployed at various times, the *Montcalm* relieving the *Wolfe* in mid February.

Winter 1963-64: The icebreakers *N.B. McLean, Saurel, Wolfe* and *Ernest Lapointe* were used and added assistance was provided for short periods by the *d'Iberville* and *Montcalm.* The latter assisted for two days in January and the former for 26 days over December and January.

Winter 1962-63: The icebreakers *N.B. McLean, Ernest Lapointe, Saurel* and *Montcalm* were used.

Winter 1961-62: The icebreakers *N.B. McLean, Ernest Lapointe, Saurel* and *Montcalm* were used.

Winter 1960-61: The *d'Iberville, Saurel* and *Ernest Lapointe* were used and in addition *Montcalm* and the light icebreaker *Tupper* gave added assistance for short periods. *Montcalm* assisted for 22 days in January and *Tupper* for four days in April.

Winter 1959-60: *d'Iberville, Ernest Lapointe, N.B. McLean, Saurel* and *Wolfe* were used and the *Montcalm* gave added assistance for seven days in April.

Winter 1958-59: *d'Iberville, Ernest Lapointe, Saurel, N.B. McLean* and *Montcalm* were used.

Winter 1955-58: *d'Iberville, Ernest Lapointe, N.B. McLean* were used.

Unless otherwise stipulated, icebreakers mentioned were deployed throughout the season, i.e. mid December to mid April.

No month by month breakdown can be given due to the fact that ship movements are continuously changed to suit operational requirements.

2. Winter 1966-67 (to January 31, 1967)

Ship	Distance steamed
N.B. McLean	284 miles
Saurel	758 "
Ernest Lapointe	497 "
Wolfe	Nil (this ship arrived 3rd February)
Total distance steamed	1539 miles

Winter 1965-66:

Ship	Distance steamed
N.B. McLean	7256 miles
Saurel	6403 "
Ernest Lapointe	3189 "
Wolfe	4379 "
Montcalm	874 "
Total distance steamed	22,101 miles

Winter 1964-65:

Ship	Distance steamed
N.B. McLean	3500 miles
Ernest Lapointe	4039 "
Saurel	6512 "
Montcalm	2785 "
Wolfe	4424 "
Total distance steamed	21,260 miles

Winter 1963-64:

Ship	Distance steamed
N.B. McLean	6283 miles
Ernest Lapointe	4025 "
Saurel	7261 "
Wolfe	4657 "
Montcalm	336 "
d'Iberville	1032 "
Total distance steamed	23,594 miles

Winter 1962-63:

Ship	Distance steamed
N.B. McLean	12226 miles
Ernest Lapointe	4975 "
Saurel	5273 "
Montcalm	2273 "
Total distance steamed	24,747 miles

Due to the fact that some ships records have been destroyed, no accurate account of distance steamed can be collated for periods listed:

Winters:
1961-62
1960-61
1959-60
1958-59
1957-58

3. At present the Canadian government levies no charge for icebreaker assistance and no special charges are imposed upon vessels which operate over channels opened by icebreakers engaged in flood control duties.

TRANSPORT OF PETROLEUM PRODUCTS BY TANKERS

Question No. 2,593—**Mr. Barnett:**

1. Are bulk petroleum products transported by tanker vessels within the great lakes-St. Lawrence river system above the port of Montreal (a) between ports or places within Canadian waters (b) between ports or places within United States waters (c) between Canadian ports and United States ports (d) between Canadian and/or United States ports within the great lakes and ports or places beyond and below the port of Montreal?

2. If so (a) what is the number of vessels regularly engaged in such transport between each of the above categories of places (b) what, by tonnage or gallonage, is the current annual volume of such petroleum products transported between each of the above categories of places?

Mr. Jean-Charles Cantin (Parliamentary Secretary to Minister of Trade and Commerce): 1 and 2. Information available on transportation of bulk petroleum products, gasoline, fuel oil and lubricating oil by tankers, 1965, is as follows: 45 vessels were engaged in this operation—29 in the great lakes

area and 16 in the Atlantic area with some intercrossing of areas; movements in the great lakes area between Canadian ports, 2,793,575 tons; movements in the great lakes area between Canadian and American ports, 18,550 tons; movements between the Canadian great lakes and Montreal and beyond, 1,488,102 tons; movements between United States great lakes and Montreal and beyond, 82,401 tons; movements in the Atlantic area between Canadian ports, 5,558,123 tons.

PETITCODIAC, N.B.—COST OF SEWER CONNECTION OF R.C.M.P. QUARTERS

Question No. 2,596—**Mr. Fairweather:**

What amount of money was paid to MacPherson & Stewart Limited, Petitcodiac, New Brunswick, for work done to connect the building occupied by the Petitcodiac detachment of the Royal Canadian Mounted Police to the village sewerage system, the work having been completed October 31, 1966?

Hon. L. T. Pennell (Solicitor General): $445.

ACTIVITIES OF COMPANY OF YOUNG CANADIANS

Question No. 2,603—**Mr. Hales:**

1. What are the names and home addresses of the 69 people who attended the general meeting of the Company of Young Canadians in Orillia from October 29, 1966 to November 5, 1966, as indicated in the answer to question No. 2,451, (a) what are the names and offices held by the staff attending the above meeting (b) what are the names of the consultants to the above meeting?

2. Has the governor in council appointed an auditor for the C.Y.C. as set out in the C.Y.C. act and, if so, what is his name and his rate of pay?

3. Does the C.Y.C. subsidize a school called Everdale in Wellington county and, if so (a) to what amount (b) how many teachers are employed in the school (c) what is the salary paid to each teacher (d) how many students are in attendance (e) do students pay tuition and room and board and, if so, how much for each (f) has a contract or lease been signed with the owners of the house in which the school is housed?

Mr. John R. Matheson (Parliamentary Secretary to Prime Minister): I am informed by the Company of Young Canadians as follows: 1. The names of participants at internal meetings of the Company of Young Canadians are a matter of internal operations of the company. (a) answered above; (b) Dr. N. Murphy; Mr. A. Borovoy; Mr. J. Fleming; Mr. P. Ringer; Mr. T. Wakayama.

2. No. The Auditor General of Canada audits the books of the Company of Young Canadians until March 31, 1967.

[Mr. Cantin.]

3. Yes. (a) $5,000 volunteer support grant. (b), (c), (d), (e) and (f) Questions relating to this private organization may be addressed to The Everdale Place, R.R. No. 1, Hillsburg, Ontario.

BILINGUAL PROGRAM FOR SENIOR CIVIL SERVANTS

Question No. 2,607—**Mr. Howe (Wellington-Huron):**

1. In regard to the proposed bilingual program of the government, what level of civil servant or commissioner is entitled to participate in this program?

2. What is the maximum period of time that can be taken away from their official Ottawa duties to participate in this program?

3. What degree of bilingualism must be attained by those participating?

4. Does the program entail cost of moving household effects?

5. What is the total estimated cost per individual and for the whole program?

6. In what particular areas of Canada have the participants been directed to locate in order to carry out this program?

Mr. John R. Matheson (Parliamentary Secretary to Prime Minister): 1. The officials participating in this program with their families are drawn from the most senior categories.

2. Twelve months.

3. An adequate capacity to use the second language as required in discharging assigned departmental responsibilities.

4. Yes.

5. Normal operating costs are expected to amount to $31,800 or $3,500 per family for the first year.

6. The English speaking participants are being moved to Quebec city, and the French speaking participants to Toronto.

EXPROPRIATION OF HOMES, LOUISBOURG NATIONAL PARK

Question No. 2,611—**Mrs. MacInnis (Vancouver-Kingsway):**

1. How many homes are involved in the expropriation of properties within the area known as West Louisbourg which falls into the present or proposed boundaries of the Fortress of Louisbourg national historic park?

2. How many properties have been expropriated to the present?

3. For how many of these properties have the owners been compensated?

4. If some owners have not yet been compensated for their properties, by what date will these owners be reimbursed?

5. How many properties remain to be expropriated?

6. By what dates will these properties be expropriated?

7. Why was the expropriation of homes and properties necessary along the extension of highway 22 in West Louisbourg between Stella Maris church and the causeway approaches to the fortress proper, known as the Barachois?

Hon. Arthur Laing (Minister of Indian Affairs and Northern Development): 1 to 6 inclusive: The expropriation of properties for the Fortress of Louisbourg national historic park is the responsibility of the government of the province of Nova Scotia.

7. This area is considered intimately related to the sieges of 1745 and 1758 and therefore essential to the proper historical interpretation of the fortress of Louisbourg.

EARNSCLIFFE—RETURN TO CANADIAN OWNERSHIP

Question No. 2,614—**Mr. Dinsdale:**

Since Earnscliffe, the Ottawa residence of Canada's first prime minister, was declared a national historic site, what steps have been taken to ensure that it will return to Canadian ownership?

Hon. Arthur Laing (Minister of Indian Affairs and Northern Development): The recommendation by the historic sites and monuments board that Earnscliffe be designated a national historic site was made in 1960 and plaques concerning the history of the house were unveiled by the then prime minister on June 6th, 1961. No action was taken by the government of the day with regard to any change of ownership and none is now contemplated as the present ownership and use of Earnscliffe ensures its protection and preservation in accordance with the standards desired for a building of national importance.

JOB TRAINING PROJECTS

Question No. 2,615—**Mr. Dinsdale:**

1. How many pilot training projects have been established by the Department of Manpower and Immigration, and (a) where have they been located (b) what are the major skills emphasized in the projects (c) what is the estimated unit cost for each person trained (d) how many persons have been trained to date?

2. What other areas are ear-marked for projects?

3. What is the estimated enrolment figure when the program is in full swing?

4. Is this program modelled after the United States job corps program?

Mr. J. C. Munro (Parliamentary Secretary to Minister of Manpower and Immigration): 1 and 2. Pilot projects will be established jointly by the provinces and the department. It is expected that most provinces will have one project. Preparation work is at various stages but no project has started yet.

(a) Locations are not fully decided.

(b) The emphasis will vary in different provinces, according to needs.

(c) The purpose of the projects is to experiment to develop more effective and efficient training methods. Each project will submit a budget before starting.

(d) None.

3. A tentative estimate is that the enrolment at any one time might reach a total of 5,000.

4. No. These projects are directed to the training needs of adults in their home areas and irrespective of age. The job corps is for youths and is a residential program.

RETURNING OFFICER, LÉVIS CONSTITUENCY

Question No. 2,629—**Mr. Caouette:**

1. Has Mr. Evan Atkinson been appointed as returning officer for the electoral district of Lévis and, if so, for what reason was Mr. Julien Dumont not maintained in this position?

2. By whom was the new officer recommended?

3. What is the remuneration, income, or salary attached to this position?

[*Translation*]

Mr. Albert Béchard (Parliamentary Secretary to Secretary of State): 1. Yes. Mr. Julien Dumont is still the returning officer in the present electoral district of Lévis.

2. By the hon. Secretary of State.

3. There is no fixed salary attached to this position, but returning officers are paid in accordance with a scale of rates established by the governor in council.

[*English*]

LEASE ON CHENOR BUILDING, QUEBEC

Question No. 2,631—**Mr. Ricard:**

1. Do one or more federal departments have a lease on the Chenor building, corner of rue St-Joseph and boulevard Langelier, in Quebec city?

2. If so (a) with whom or with what company was this lease signed (b) what is the amount and duration of this lease (c) were tenders called before this lease was signed and what are the names of the tenderers and the amounts of their tenders?

3. If tenders were not called, what were the reasons?

[*Translation*]

Hon. G. J. McIlraith (Minister of Public Works): 1. The Department of Public Works had a lease which became ineffective when

the building was destroyed by fire on January 7, 1967.

2. (a) Chester Investment Corporation, 683—83 St. Joseph Street East, Quebec, Que. (b) Two years at $17,000 per year. (c) Tenders were not called.

3. The department does not normally call tenders for rented space where the local real estate market offers existing vacant space of satisfactory quality at acceptable rental rates.

[*English*]

LUMP SUM FAMILY ALLOWANCE PAYMENTS

Question No. 2,635—**Mr. Howe (Hamilton South):**

Has the government at any time given consideration to the proposition that family allowances payments be made in a lump sum to parents of three or more children with a view to its being used either to make a down payment on, or to afford necessary alterations to, a home providing adequate accommodation for the family?

Hon. A. J. MacEachen (Minister of National Health and Welfare): No.

C.M.H.C. LOANS ON EXISTING HOMES

Question No. 2,645—**Mr. Hales:**

How many loans has Central Mortgage and Housing Corporation made since the inception of the plan to make loans of up to $10,000 available on the purchase of existing homes?

Hon. J. R. Nicholson (Minister of Labour): Since the inception of the plan to make loans of up to $10,000 available on the purchase of existing homes, Central Mortgage and Housing Corporation has received 304 applications and has approved 71 loans for $692,000 to February 20, 1967.

CONSTRUCTION OF NATIONAL MUSEUM

Question No. 2,649—**Mr. Johnston:**

Has a date been set for commencing construction of the proposed National Museum?

Hon. G. J. McIlraith (Minister of Public Works): No.

INVENTION BY CANADIAN OF CIGARETTE FILTER

Question No. 2,651—**Mr. Coates:**

1. Is the Minister of National Health and Welfare aware of the invention by Mr. Marcel Beaudoin of Lucerne, Quebec, of a cigarette filter that is alleged to be most effective in removing various allegedly deleterious substances in cigarettes?

2. Has the government had a scientific examination made of the Beaudoin filter by scientists of the Department of National Health and Welfare or of the National Research Council and, if so, what was the nature of their report?

3. If the said filter has not yet been examined, will the government turn it over to research scientists of the Department of National Health and Welfare and of the National Research Council for a report on its merits?

Hon. A. J. MacEachen (Minister of National Health and Welfare): 1. Yes.

2. No.

3. No. It is a well known fact that filtration can reduce the tar and nicotine content of cigarette smoke.

SHARED COST HIGHWAY PROJECTS, NOVA SCOTIA

Question No. 2,655—**Mr. Jamieson:**

1. What shared cost highway projects under the trans-Canada highway agreement with Nova Scotia were active in 1966 in each of the following counties: (a) Cumberland (b) Colchester (c) Pictou (d) Antigonish (e) Inverness (f) Victoria (g) Cape Breton?

2. In the case of each project (a) how many miles of highway was or is under construction (b) what work was or is involved (c) to whom was the contract awarded (d) what was the amount of the contract (e) what is the total federal commitment?

Hon. G. J. McIlraith (Minister of Public Works): 1. and 2. See following pages:

Location	Project description	Mileage	Contractor	Contract bid price	Federal commitment
				$	$
Cumberland county.....	Amherst By Pass-Sta 9. 3+00 to 210+00. Grading.	2.2	Merrithew Const. Ltd.....	596,975	602,550
	Pre-Engineering, Design and Supervisor of Construction at Amherst.....				423,000
	Thompson Road to C.N.R. near Oxford. Grading	3.8	Welton Construction Ltd.....	490,200	514,800
	Mahoney's Corner to west of Thompson's Road. Grading.....	8.4	Welton Construction Ltd.....	917,675	942,300
	West of Grunk 4C Oxford to Black River Road. Grading.....	4.4	Minas Basin Construction Ltd.....	528,670	563,400
	Black River Rd. to west of Saltsprings. Grading.	3.7	Welton Construction Ltd.....	426,500	463,500
	Employment of Consultants for Design.....				5,670
	C.N.R. at Oxford to west of Trunk No. 4. Grading and Structure.....	1.3	Latimer Construction Ltd.....	476,746	492,300
	MacDonald Road to Little Forks Road. Grading	6.2	R. K. Chappell Const. Ltd.....	845,110	904,500
	Little Forks Rd. to west of Saltsprings Sta. Grading.....	4.5	Modern Const. Ltd.....	656,975	685,800
	Amherst By Pass—Sta. 210+00 to 311+15. Grading.....	1.9	Tidewater Const. Ltd.....	582,270	537,066
	Black River Culvert, Glenville Brook Culvert. Structures.....		Municipal Spraying & Contracting Ltd...	99,745	112,500
	Mahoney's Corner to C.N.R. near Oxford. Stabilization.....	12.1	Municipal Spraying & Contracting Ltd...	292,435	341,424
	Overpass of C.N.R. at Trunk No. 2. Structure...		Tidewater Const. Ltd.....	1,068,747.50	1,071,000
	N.B. Border to Sta. 73+00. Grading & Structure.	1.5	Tidewater Const. Ltd.....	331,025	207,000
Colchester county.....	McElmon Road Interchange, Masstown and Belmont Road. Paving.....		Warren Maritimes Ltd.....	75,024	63,450
	Employment of Consultants for Design.....				18,000
	Truro By Pass—C.N.R. to Brookside Road. Grading.....	3.2	Latimer Construction Ltd.....	458,655	484,200
	Interchange at McElmon Road. Grading & Structure.....		Latimer Construction Ltd.....	218,715	182,250
	Underpass at Belmont Road. Structure.....		Latimer Construction Ltd.....	109,320	119,700
	Underpass at Higgin's Hill Rd. Structure.....		Tidewater Const. Ltd.....	117,570	126,900
	Underpass at Masstown Road. Structure.....		Latimer Construction Ltd.....	121,530	136,800
	Debut River Bridge to Higgins' Hill Road. Stabilization.....	6.8	Eastern Coronet Paving Ltd.....	214,525	252,000
Colchester and Pictou counties.....	Cove Road to Kemptown Diversion. Grading...	5.3	R. K. Chappell Const. Ltd.....	807,620	867,600
Pictou county.....	Broadway Overpass to Brown Mt. Road. Bituminous Stabilization.....	8.7	Tidewater Const. Ltd.....	267,270	328,500
	Junction Trunk 6 to Caribou Ferry Wharf. Grading	4.2	Martell's Const. Ltd.....	543,500	562,500
	Design West River Station Road.....				4,950
	Saltsprings to Kemptown. Stabilization.....	10.4	Municipal Spraying & Contracting Ltd..	371,016	432,000
	Brown Mt. Road to James River Bridge. Stabilization.....	5.2	Tidewater Const. Ltd.....	174,540	216,000

Location	Project description	Mileage	Contractor	Contract bid price	Federal commitment
				$	$
Pictou county (cont'd)..	Thorburn Road to Sutherlands River. Paving..	5.2	Warren Matitimes Ltd.....	228,525	279,900
	Saltsprings to C.N.R. underpass at Alma. Paving	9.2	Tidewater Const. Ltd.....	346,150	411,300
	Foord St. to Thornburn Road. Paving.....	2.3	Warren Maritimes Ltd.....	148,346	189,000
	Underpass at West River Station Road. Structure.....		Scott Wheaton Ltd.....	111,690	125,100
	Mount William Road to C.N.R. Spur Line. Grading.....	3.3	Ronald St. John Chisholm.....	492,010	522,000
	Engineering—Alma to New Glasgow.....				58,500
	Sutherlands River Bridge to Pictou-Antigonish Co. line. Paving.....	16.9	Warren Maritimes Ltd.....	402,682.50	548,100
	Alma to New Glasgow. Grading and Structure..	6.3	Tidewater Const. Ltd.....	1,640,422	1,720,800
	Employment of Consultants for Design.....				375,555
	Pictou Harbour Crossing and Dam. Grading and Structure.....	2.0	Tidewater Constr. Ltd.....	4,945,900	3,443,646
	Junction Trunk 6 to Caribou Ferry Wharf. Stabilization.....	4.2	Tidewater Constr. Ltd.....	135,800	153,900
	Employment of Consultants at North Sydney...				117,000
Antigonish county.....	East Tracadie Road to Frankville Road. Grading	5.0	R. K. Chappell Const. Ltd.....	880,750	960,300
	Design by Consultants.....				4,140
	Havre Boucher Brook Culvert. Structure.....		Pioneer Constr. Ltd.....	72,690	80,100
	Pellerin Road to C.N.R. Overpass at Auld's Cove. Grading.....	3.7	Nova Construction Ltd.....	687,725	757,800
	C.N.R. Overpass at Auld's Cove. Grading and Stabilization.....	1.3	Nova Construction Ltd.....	323,530	365,400
	Employment of Consultants for Design.....				4,950
	Heatherton to Gorman Road. Grading.....	3.5	Latimer Const. Ltd.....	479,990	516,240
	Underpass at Beaver Road. Structure.....		Bernard Chisholm.....	112,440	129,298
	Gorman Road to west of Old Antigonish Road. Grading.....	3.8	R. K. Chappell Const. Ltd.....	556,820	607,500
	Antigonish west town line to Heatherton. Stabilization and Paving.....	11.8	Tidewater Const. Ltd.....	394,450	482,400
	Gorman Road Overpass. Structure.....		Latimer Const. Ltd.....	109,603	119,700
	Overpass of Railway at Linwood. Structure.....		Bernard Chisholm.....	116,295	124,200
	Antigonish-Pictou Co. line to Antigonish town line. Paving.....	9.5	Warren Maritimes Ltd.....	259,799	342,900
	Employment of Consultants for Design in Tracadie area.....				14,742
Inverness county.....	Port Hastings to Orangedale Road. Stabilization and Paving.....	25.7	Nova Construction Ltd.....	1,056,100	1,278,000

Victoria county.....	Swamp Corner to Baddeck, West Boundary. Grading.....	9.2	McNamara Const. Co. Ltd.....	1,136,300	1,242,675
	Orangedale Road to Baddeck. Stabilization and Paving.....	24.9	Standard Paving Maritime Ltd.....	987,175	1,202,400
	Swamp Corner to Great Bras d'Or Bridge. Stabilization and Paving.....	13.0	McNamara Const. Co. Ltd.....	715,825	866,700
	Millville to Junction of Gannon Road. Stabilization and Paving.....	4.2	Municipal Ready Mix.....	291,440	275,400
Antigonish, Pictou, Inverness, and Victoria counties.....	Seeding of Slopes—various.....		Day Labour.....	13,053.04	11,748
Cape Breton county.....	North Sydney Town line to Sta 31+90. Grading and Structure.....	0.6	Martell's Const. Ltd.....	869,815	878,400
	Sta. 31+90 to Purvis Street, North Sydney. Stabilization and Paving.....	0.4	Martell's Const. Ltd.....	506,135.20	539,100
All counties.....	Seeding of Slopes—various locations.....		Day labour.....	33,597.27	30,237.54

* Includes commitment for engineering and materials as well as contract items.

St. Lawrence Shipping

ASIAN COUNTRIES VISITED BY MEMBER FOR LEEDS

Question No. 2,664—**Mr. Webb:**

1. What countries has the hon. member for Leeds, representing the Prime Minister, visited in Asia, and what was the respective length of his stay in each of these countries?

2. When is it expected that he will be returning to Canada?

Hon. Paul Martin (Secretary of State for External Affairs): 1. The hon. member for Leeds, Mr. J. R. Matheson, visited the following countries with length of stay in each as listed below: Japan, 3½ days; Republic of China, 5½ days; Hong Kong, 4½ days; Indonesia, 2 days; Singapore, 2 days; Malaysia, 3 days.

2. He returned to Canada on February 27, 1967.

QUESTION PASSED AS ORDER FOR RETURN

RECRUITMENT OF VETERANS BY CROWN CORPORATIONS

Question No. 2,448—**Mr. Grégoire:**

Do the crown corporations referred to as "proprietary" in the Financial Administration Act promote the recruitment of veterans, and (a) if so, of what does this policy consist (b) if not, for what reason?

Return tabled.

[*Translation*]

SHIPPING

ICEBREAKING OPERATIONS IN ST. LAWRENCE —MOTION FOR ADJOURNMENT UNDER STANDING ORDER 26

Mr. Gilles Grégoire (Lapointe): Mr. Speaker, I beg for leave, under standing order 26, seconded by the hon. member for Mégantic (Mr. Langlois), to move the adjournment of the house for the purpose of discussing a definite matter of urgent public importance, namely, the situation now prevailing on the St. Lawrence river. Mr. Speaker, I am prepared to argue that the matter is of urgent public importance, and that it should be discussed today.

Mr. Speaker: The hon. member for Lapointe may make his comments on the urgency of discussing this question today.

Mr. Grégoire: Mr. Speaker, there are two reasons for the urgency of the debate. First, you have the safety of many sailors now on board ice-bound ships; I feel we must take immediate action, for tomorrow may be too late.

[Mr. McIlraith.]

I simply wish to quote a representative of the Danish shipping company, owner of three of the ships at present ice-bound near Montreal. He said:

[*English*]

—he was more concerned with the question of safety to his ships than with the money lost digging the vessels out—

The spokesman said the men aboard the Danish freighters are starting to worry about their predicament.

[*Translation*]

Mr. Speaker, the matter is urgent precisely because of the security of the people on board the ships that are trapped by the ice since Thursday, people who at this very moment wonder what lies in store for them in the next few hours.

The same spokesman added, and I quote:

[*English*]

"There's no telling what hundreds of tons of ice can do. Ships stuck in a moving jam helplessly smash into whatever stands in the way."

[*Translation*]

Mr. Speaker, there is the question of the immediate security of these men who are trapped on the ships.

Another point may help to prove the urgency of discussing this problem today: if no decision is made immediately, the whole economic activity of a Canadian region, namely that of Montreal, will be seriously affected. In this connection I should like to point out what a Montreal spokesman for the National Harbours Board said, and I quote:

[*English*]

"It only stands to reason that if ships can't get in and out of here in the winter, they're going to stop coming," he said.

[*Translation*]

Mr. Speaker, that spokesman is not now referring only to the three ice-bound Danish ships but also to the three ice-bound Russian ships.

And this Montreal spokesman of the National Harbours Board further stated:

[*English*]

"Many shipping lines have already hinted that their ocean going vessels won't go further than Halifax or Saint John, New Brunswick. Thousands of dollars are lost each day their ships are immobilized."

[*Translation*]

In addition, the spokesman of the Danish shipping company, one of the companies

which most contributed to promote winter navigation on the St. Lawrence, stated:

[*English*]

He added that ship owners who have spent millions of dollars building steel reinforced hulls to trade here during the winter expect co-operation in keeping the St. Lawrence navigable.

[*Translation*]

Therefore, Mr. Speaker, shipping companies are now beginning to talk about not sending their ships and ocean-going vessels as far as Montreal harbour, because the Department of Transport is not doing anything to assist those ships, as indicated by the statements of the authorities I have just quoted.

Therefore, there are two reasons which militate for an emergency debate today. The first consideration is the safety of the many sailors confined on board their ship in extremely dangerous circumstances, according to the spokesman for the shippers.

Second, no announcement has been made, nor has any decision been taken in this regard; shippers may well decide not to use the St. Lawrence river any more, which would cause the economic areas of Montreal, Sorel, Trois-Rivières and Quebec to suffer serious losses.

Mr. Speaker, I believe the safety of the men and the economy of the above-mentioned areas are reason enough to consider this a matter of great urgency. We have no right to endanger the lives of these men courageously trying to get through in order to develop the economy of the St. Lawrence area, year after year, without the co-operation of the government. I feel the matter is urgent, because human lives are at stake.

• (3:00 p.m.)

[*English*]

Mr. Raymond Langlois (Mégantic): Mr. Speaker, I do not always agree with the political opinions of the hon. member for Lapointe (Mr. Grégoire) but I do agree with him that when ships are caught in the ice we should get them out. I am aware of the fact that he has raised this subject in the past, but I would like to point out that not only is the question of security involved but also winter trade between Canada and other countries whose ships are now trapped in the ice of the St. Lawrence.

The ship owners have indicated that it is the responsibility of the federal government to take some action. If the federal government does not want to assume this responsibility it should so inform the harbours board, which would then have to act accordingly. Under present circumstances there is a security problem involving these three ships which are trapped in the ice and cannot budge, and a very dangerous situation might arise depending which way thousands and thousands of tons of ice might move.

The point I want to make, Mr. Speaker, is that the government has permitted its icebreaker to move down the St. Lawrence river, leaving these three ships in this critical situation. We are not very happy at the fact that the government or someone has issued the order instructing the icebreakers to move downriver, because it does leave the crews of these vessels exposed to a hazardous situation. We have had enough incidents to date on the waterways in and around Canada, and if we take the precaution of preventing another then this will be one less for the record.

I for one agree on this occasion with the hon. member for Lapointe, and I think we should do something, if possible, to free these ships from the ice.

Hon. John N. Turner (Minister without Portfolio): Mr. Speaker, I should like to speak to this motion on behalf of the Minister of Transport (Mr. Pickersgill), and I address my remarks to the urgency of debate. I concede that conditions in the St. Lawrence river channel have been extremely difficult for some weeks, with repeated jams both in Montreal harbour and lower down the channel. It is true that today the jam does extend from Sorel down to the bridge at Trois-Rivières. Montreal harbour has also been jammed. However, I might say that the ice control structure is in operation and working effectively, and the water level in the port of Montreal has dropped to a point where I am now advised there is no danger to the Expo site.

With regard to the three vessels referred to by both the hon. member for Lapointe (Mr. Grégoire) and the hon. member for Mégantic (Mr. Langlois), may I say that a few minutes ago I was in communication with the president of the shipping agency referred to by the hon. member for Lapointe, and he tells me that there has been a misquotation of his port captain's statement. He assures me that the three Danish ships have now been freed from the ice jam they were in and are trying to get into the upper harbour at Montreal, so the immediate problem of the jam has been minimized.

St. Lawrence Shipping

There are 11 icebreakers working in the gulf of St. Lawrence, in the part of the river around Quebec city and in the Sorel region. There are four icebreakers currently in operation between Trois-Rivières and Montreal, and we have provided an additional icebreaker which is proceeding upriver from Quebec to the Montreal region.

I might point out that it is an engineering fact that unless the ice is broken and the river kept fluid in the Lac St. Pierre area it would be relatively useless to open the river up at Montreal. Therefore there is constant need all the way down the river to keep the ice moving, otherwise there will be a bottleneck. I have asked the department to maintain full icebreaking service and to anticipate and prevent all danger to shipping. I can assure the house that all suitable and available icebreaking forces are now in action.

On the question of urgency, Mr. Speaker, I need not recall to Your Honour that urgency within the rule does not relate to the matter of debate itself, urgent though that might be—and I have tried to argue to Your Honour that the immediate urgency is under control—but applies to the urgency of debate. I would also draw Your Honour's attention to citation—

Mr. Speaker: Order, please. I hesitate to interrupt the minister, but so far as the urgency of the matter is concerned I can assure him that my mind is made up and I am quite prepared at this moment to make a decision on the motion of the hon. member for Lapointe. If hon. members think the debate should continue further I will allow the minister to continue his argument.

Mr. Thomas M. Bell (Saint John-Albert): Mr. Speaker, I do not wish to prolong the debate unduly, but lest silence on the part of maritime members be taken as consent I should like to point out that there is one way in which this whole difficulty could have been avoided in the first place. This is by telling the captains of these ships in no uncertain terms that if they had gone to the ice free ports of Halifax and Saint John there would have been no difficulty.

Mr. Speaker: Order, please. If the hon. gentleman were allowed to continue his remarks—though I understand he has completed them—we might get into a discussion of the substance.

[Mr. Turner.]

[*Translation*]

The only point now before the house is whether discussion is urgent. It is not whether the subject matter of the complaint as expressed in the request of the hon. member for Lapointe (Mr. Grégoire) and seconded by the hon. member for Mégantic (Mr. Langlois) is urgent, but whether discussion is urgent. I hardly feel that allowing discussion this afternoon would settle the problem. The hon. Minister without Portfolio, in his comments, replied to the main problem mentioned by the hon. member for Lapointe to the effect that it was a question of immediate security. Since this problem is settled, I consider that the request made by the hon. member for Lapointe should not be entertained.

[*English*]

INDUSTRY

REQUEST FOR COMMITTEE CONSIDERATION OF AUTOMOBILE AGREEMENT

On the orders of the day:

Right Hon. J. G. Diefenbaker (Leader of the Opposition): Mr. Speaker, I would direct a question to the Minister of Labour which has to do with the unemployment which has arisen in consequence of the Canada-U.S. automobile agreement and the fact that people have been laid off in large numbers without having received any consideration.

Would the minister now give consideration to the establishment of a committee composed of representatives of labour, management and government for the purpose of giving protection to workers who are dislocated, either by transferring them to other jobs or by supplying additional work in the industry at the same geographical location? This is something that has been asked for on a number of occasions. In view of the seriousness of the situation, too often denied, and the numbers of unemployed as a result of this auto agreement, I suggest to the minister that such a committee would go a long way toward allaying fear and would give some hope to those who are being laid off.

Hon. J. R. Nicholson (Minister of Labour): Mr. Speaker, the suggestion put forward by the right hon. gentleman has been put forward previously, as he intimated. I have discussed it with representatives of the unions and with perhaps not all but certainly most of the employers concerned, as well as with some of my cabinet colleagues. At the present time I would not be disposed to take action along the lines suggested by the right hon.

gentleman, but I will certainly give the matter further consideration after consultation with my colleagues.

Mr. Diefenbaker: Mr. Speaker, I have a supplementary question for the Prime Minister. Would the Prime Minister consider having an investigation made by a royal commission, to report very soon, into why it is that under this automobile agreement automobiles which are produced in Canada are being sold in the United States at a price a great deal lower than the price of the same automobiles manufactured in Canada?

Second, why is it that Canadians have to pay more for United States made cars than United States consumers have to pay, though the tariff has been eliminated?

Right Hon. L. B. Pearson (Prime Minister): Mr. Speaker, this question has been brought up in the house more than once and has been dealt with by the Minister of Industry. I will be glad to refer my right hon. friend's additional observations to the minister.

Mr. Diefenbaker: Mr. Speaker, I asked the Prime Minister whether he would not consider a commission to look into this matter. The answers given by the Minister of Industry have been simply pushovers, removing the question from serious consideration. Canadians pay through the nose, and United States consumers obtain Canadian cars at cheaper rates than Canadians pay.

FINANCE

REQUEST FOR STATEMENT ON RECOMMENDATIONS OF TAXATION COMMISSION

On the orders of the day:

Mr. T. C. Douglas (Burnaby-Coquitlam): Mr. Speaker, may I direct a question to the Minister of Finance. Does he intend fairly soon to make a statement to the house about the recommendations of the Carter commission on taxation, particularly with a view to setting forth any order of priority the government has established for implementation of the commission's recommendations?

Hon. Mitchell Sharp (Minister of Finance): Mr. Speaker, I am filled with wonder, on reading the newspapers this morning, that members of the House of Commons have been able to absorb that monumental document and reach opinions so quickly. I must be, shall I say, rather dull.

Some hon. Members: Oh, oh.

Mr. Sharp: I think it will take several months with my inferior intellectual capacity and with the help of my officials before I can reach decisions on this matter or before I would want to make any recommendations to my colleagues.

As I said when I tabled the report on Friday, I intend to let several months pass to allow members of the public who would like to take a serious look at this report, rather than the sort of cursory look which has been taken by members opposite, to do so before I would feel justified in bringing down recommendations.

Mr. Douglas: A supplementary question, Mr. Speaker. The minister has made one statement with which there seems to be almost unanimous agreement. May I ask the minister if it is his intention to refer the recommendations of this commission to the House of Commons committee on finance, trade and economic affairs, that it may have an opportunity of examining those recommendations in depth and making some report to the house with respect to this matter.

Mr. Sharp: I am glad the hon. gentleman now recognizes the need for a much more serious discussion of this matter before opinions are expressed. I think it would be a better procedure, however, for the public to have some opportunity of studying the report, making its recommendations known, and then for the government to put forward its recommendations which could be discussed in the committee. It is my intention, Mr. Speaker, to do that.

I have said earlier in a number of public addresses and I think in the house that perhaps the best way of proceeding would be for the government, after there has been a reasonable opportunity for discussion, to bring in a bill and have that bill referred, before it is approved on second reading, to a committee for discussion when representations could be made.

Mr. Frank Howard (Skeena): I should like to direct a supplementary question to the Minister of Labour. In light of the admission of the Minister of Finance with respect to his inferior intellect, I wonder if I could ask the Minister of Labour whether he has been able to digest the Gill commission report on unemployment insurance and what the government proposes to do about that report.

Mr. Speaker: Order, please. That is not a supplementary question.

Inquiries of the Ministry

Mr. H. A. Olson (Medicine Hat): A supplementary question to the Minister of Finance, Mr. Speaker. I wonder if the minister can tell the house when he will be inviting the provinces to discuss the contents of the Carter commission report with officials of his department.

Mr. Sharp: Mr. Speaker, we have not made up our minds yet. I can assure the house that before we reach any tentative decisions on these matters we shall be having a full discussion with the provinces whose interests are very much involved.

Mr. Olson: A further supplementary question, Mr. Speaker. Can the minister tell us whether he is sure that each provincial treasurer has received a copy of the report?

Mr. Sharp: Well, Mr. Speaker, special preparations were taken at the time of the publication of the report to inform officials of the provincial governments, who were invited to Ottawa for that purpose.

INQUIRY AS TO SECURITIES AND EXCHANGE LEGISLATION

On the orders of the day:

Hon. George Hees (Northumberland): Mr. Speaker, I wish to direct a question to the Minister of Finance. I was going to say I thought I might have to wait until tomorrow to ask my question, but I think I shall be able to ask it today. Can the minister advise the house what progress he is making with the authorities concerned in the respective provinces regarding discussions leading to the possible adoption of Canadian securities and exchange commission legislation?

Hon. Mitchell Sharp (Minister of Finance): No, Mr. Speaker. That particular question I think should be referred to my colleague the Minister without Portfolio, who has been Acting Registrar General. I can say that in connection with other financial institutions we have written to the provinces asking them when it would be convenient to have a meeting. The matter of securities legislation I think ought to be referred to my colleague the Acting Registrar General.

Hon. John N. Turner (Acting Registrar General): Mr. Speaker, answering the question, we are now preparing for a meeting at the official level and eventually at the ministerial level to implement the answers sought by my hon. friend.

[Mr. Speaker.]

INQUIRY OF THE MINISTRY

On the orders of the day:

Mr. Lawrence E. Kindt (Macleod): Mr. Speaker, I see the congenial member for Leeds (Mr. Matheson) is back from his Asian trip.

Some hon. Members: Hear, hear.

Mr. Kindt: I ask whether the Secretary of State for External Affairs and the hon. member for Leeds are planning to issue a joint press release on the political situation in Asia.

Mr. Speaker: Order, please.

Hon. Paul Martin (Secretary of State for External Affairs): I propose to ask the advice of the hon. gentleman.

Mr. Speaker: Order, please.

TRADE

FAILURE TO MENTION LAKEHEAD CITIES IN ADVERTISING BROCHURE

On the orders of the day:

Mr. Hubert Badanai (Fort William): Mr. Speaker, I wish to direct a question to the Minister of Trade and Commerce, but in his absence I shall address it to the acting minister. Has the attention of the minister been drawn to the elegant and presumably expensive brochure on Canada for distribution to the United States? If so, did he note that the cities of Fort William and Port Arthur were completely ignored? In fact, as far as this publication is concerned the Canadian lakehead does not exist.

Mr. Speaker: Order, please.

Right Hon. L. B. Pearson (Prime Minister): Mr. Speaker, that question is so important that I shall take note of it myself.

Mr. Speaker: Order, please. I suggest to the hon. member that he may have a question of privilege to be raised at the appropriate time. This is not a question for orders of the day.

Mr. Badanai: Ten o'clock, Mr. Speaker.

POWER

BRITISH COLUMBIA—REQUEST FOR HUNDRED MILLION DOLLAR FEDERAL LOAN

On the orders of the day:

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, I wish to direct a question to the

Minister of Finance. My question is based on my capacity for premonition and prevision, and the penchant for publicity of the premier of British Columbia. Has the minister received any communication from the premier of British Columbia asking the federal government for an unconditional $100 million loan for hydro development, guaranteed as to principal and interest by that province? If so, what is the response of the federal government to the premier's appeal for financial assistance?

Hon. Mitchell Sharp (Minister of Finance): Mr. Speaker, on Friday I received a telegram asking whether the federal government would be prepared to lend the British Columbia hydro and power authority $100 million, subject to the guarantee of the British Columbia government, at the federal government's own borrowing rate of interest. I should add that the request was accompanied neither by an explanation nor by a justification. It will be difficult for the government to seriously consider such a request, without explanation and justification, in what appears to be a remarkable change in the financial position of the government of British Columbia.

Mr. Herridge: As a supplementary question just to clinch the argument, Mr. Speaker, was the 11 per cent federal sales tax in effect when the agreement between the government of Canada and the government of British Columbia was signed with respect to the Columbia river treaty?

Mr. Speaker: Order. I suggest to the hon. member that he should ascertain this under circumstances different from the present, that is, not on orders of the day.

AIR POLLUTION

EQUIPPING OF AUTOMOBILES WITH PROTECTIVE DEVICES

On the orders of the day:

Mr. Heward Grafftey (Brome-Missisquoi): Mr. Speaker, in view of the Prime Minister's statement outside the house last week to the effect that we could expect immediate action on air pollution, and in view of the assurance given to the house by the Minister of National Health and Welfare a number of days ago that the government was studying recent United States federal regulations requiring clean air packages and anti-air pollution features in automobiles, I wish to ask the Minister of National Health and Welfare whether these studies have been completed, and has the government arrived at a conclusion that the same clean air features will be required in automobiles in Canada in the future?

Hon. A. J. MacEachen (Minister of National Health and Welfare): Mr. Speaker, consideration has proceeded within the department with respect to the use of this particular package, and the tentative conclusion is that at the moment the alleged benefits are not clear enough to warrant action of this kind in Canada.

Mr. Grafftey: As a supplementary question, will the government be making an announcement as to why it is not going to require this feature to be made a requisite, and why there will be this difference in Canada as opposed to the regulations which will be applied in the United States?

Mr. MacEachen: Well, Mr. Speaker, the first point to be borne in mind is that the conference on resources made a recommendation that no action be taken in Canada until there had been an opportunity to observe the results in the United States, and we are not satisfied that the benefits are great enough. Further, it is a very expensive operation, and there is some suggestion that this device acts as a pollutant itself.

INQUIRIES OF THE MINISTRY

On the orders of the day:

Mr. Bert Leboe (Cariboo): Mr. Speaker, I wish to direct a question to the parliamentary secretary to the Secretary of State. It arises out of the advertising of a certain book on the C.B.C. network. Can the parliamentary secretary find out whether it is now going to be the policy of the C.B.C. to go into the publishing business?

Mr. Speaker: Order. The question, if it is urgent and acceptable, should be placed on the order paper.

Mr. R. W. Prittie (Burnaby-Richmond): Mr. Speaker, I wish to direct a question to the Prime Minister concerning his forthcoming journey to the West Indies. While he is in the West Indies would he ask one of those islands to join Canada so we could establish a legislative capital in a more civilized climate? Or, failing that, I have another suggestion.

Inquiries of the Ministry

[*Translation*]

SHIPPING

ST. LAWRENCE RIVER—MAINTENANCE OF WINTER NAVIGATION

On the orders of the day:

Mr. Gilles Grégoire (Lapointe): Mr. Speaker, I should like to put a question to the Prime Minister. In view of the importance and urgency of winter shipping on the St. Lawrence, could the Prime Minister tell us whether his government intends to do something to increase the efficiency of winter shipping on the St. Lawrence?

[*English*]

Right Hon. L. B. Pearson (Prime Minister): Mr. Speaker, this question has already been raised and dealt with in the House of Commons, and I have nothing to add to what the Minister of Transport said about it some time ago.

HOUSE OF COMMONS

INQUIRY AS TO ADOPTION OF ELECTRONIC VOTING METHOD

On the orders of the day:

Mr. Heath Macquarrie (Queens): Mr. Speaker, I wish to direct a question to the Prime Minister. It is prompted by my reading of a portion of his excellent interview by the editor of the Ottawa *Journal* recently. Can he advise the house of his plans for electrifying the voting procedures in this chamber?

Right Hon. L. B. Pearson (Prime Minister): Mr. Speaker, this is a matter which I hope our committee dealing with rules and procedure will take up, and I trust that committee will meet today or tomorrow. I have often thought, as have other hon. members, that we could save a lot of time in this way, and I hope we will be able to take some action in electrifying our procedures.

Mr. Brewin: As a supplementary—

Mr. Speaker: Order. I hesitate to suggest that there should be a supplementary. I doubt whether the first question was of such an urgent nature that it should have been allowed and I suggest, if supplementaries are in order, that they be placed on the order paper.

Mr. Brewin: Perhaps I can ask a question later, Mr. Speaker.

COMMITTEE CONSIDERATION OF COMPLETE OVERHAUL OF HOUSE RULES

On the orders of the day:

Mr. Andrew Brewin (Greenwood): Mr. Speaker, I wish to direct a question to the Prime Minister which is related to but I think broader and a little more urgent than the question put by the hon. member for Queens. The Prime Minister is reported as having said that the tremendous amount of legislation facing the house made it necessary to reform the rules and procedures in the house by a complete overhaul rather than by mere tinkering. I want to ask the Prime Minister, will the government be putting proposals for such a complete overhaul of the rules of the house before the special committee on procedure?

Right Hon. L. B. Pearson (Prime Minister): Mr. Speaker, I think the terms of reference of the committee in question are wide enough to encompass any proposal under this general subject, however far reaching its results may be on our procedures. I would think the members of the committee are quite able to put such proposals forward, but in the light of the work of the committee as we go on we might be able to discuss whether the government as such—and I might say this would be very unusual—would put forward proposals.

FISHERIES

LOBSTER REGULATIONS IN SOUTHERN PART OF DISTRICT 7B

On the orders of the day:

Mr. Melvin McQuaid (Kings): Mr. Speaker, I wish to direct a question to the Minister of Fisheries of which I have given notice, and I understand he is very anxious to answer it. Will regulations soon be approved to afford some measure of protection to those lobster fishermen who operate in that portion of district 7B other than the north shore of Prince Edward Island?

Hon. H. J. Robichaud (Minister of Fisheries): Mr. Speaker, I wish to thank the hon. member for sending me notice of his intention to ask this question. I wish to confirm that lobster fishing regulations will be amended so that licences to engage in the lobster fishery in the southern Prince Edward Island portion of district 7B, extending from East Point to Victoria Harbour, will be limited this year to persons who held such licences in 1966. Exceptions may be made where there are extenuating circumstances, and each case will be examined in co-operation with representatives of the fishermen.

I wish to add, Mr. Speaker, that no interchange of operations between the two areas will be permitted. Operators licensed for the northern P.E.I. portion of district 7B will not be permitted to fish lobsters in the southern portion, and vice versa.

AGRICULTURE

EGGS—EFFECT OF ANNOUNCEMENT OF SUPPORT PRICE

On the orders of the day:

Mr. Lawrence E. Kindt (Macleod): Mr. Speaker, I have in my hand the poultry market report, and I should like to direct a question to the Minister of Agriculture. Farmers have been writing me, saying that eggs at 21 cents per dozen are not worth the wear and tear on the rooster—

Some hon. Members: Oh, oh.

Mr. Kindt: May I ask the minister, is he aware—

An hon. Member: Of the wear and tear?

Mr. Kindt:—of the fact that the statistical average which he announced this morning has no particular benefit beyond what is already provided under the stabilization act?

Mr. Speaker: Order, please. The hon. member's question is argumentative.

EXPO '67

PROPOSED IMPORTATION OF VESSEL FOR USE AS FLOATING HOTEL

On the orders of the day:

Mr. Frank Howard (Skeena): Mr. Speaker, in the absence of the Minister of Transport may I direct a question to the Acting Registrar General, who I believe is also Acting Minister of Transport. Has he knowledge of the proposal to use the ship called the *Florida* about which I asked the other day, and is it the intention of the Department of Transport to permit the use of this ship in Montreal for the purposes outlined?

Hon. John N. Turner (Acting Minister of Transport): Mr. Speaker, I am afraid I shall have to take this question as notice.

LABOUR CONDITIONS

NOVA SCOTIA—TRANSFER OF COAL OPERATIONS TO CROWN CORPORATION

On the orders of the day:

Mr. Donald MacInnis (Cape Breton South): Mr. Speaker, I wish to direct a question to the Prime Minister. Can he report any progress in the negotiations to take over the Dominion Coal Company?

Right Hon. L. B. Pearson (Prime Minister): There has been progress, Mr. Speaker, but the negotiations are very complicated indeed. It will be some time before we will be able to make an announcement in the house, but we want to make that announcement as quickly as possible.

Mr. MacInnis (Cape Breton South): As a supplementary question, if progress is being made why is it necessary for the shareholders of DOSCO to establish a purchase price, something for which they are looking?

Mr. Speaker: Order. The second question is argumentative in nature.

[*Later:*]

Mr. MacInnis (Cape Breton South): Mr. Speaker, further to the question addressed to the Prime Minister regarding the crown company being established in Cape Breton, has any person been chosen to head this company?

Mr. Pearson: The corporation has not been set up yet. When it is we will be in a position to announce the name of the president.

[*Translation*]

CANADIAN NATIONAL RAILWAYS

EXPRESS DELIVERIES IN SAGUENAY-LAKE ST. JOHN AREAS

On the orders of the day:

Mr. Alcide Simard (Lac-Saint-Jean): Mr. Speaker, my question is intended for the hon. Minister of Transport or, in his absence, for his parliamentary secretary.

Does the minister know that the officials of the C.N.R. have ordered discontinuation of express shipments to the Saguenay, Lake St. John and Alma, in particular?

Mr. Speaker: That question should be put on the order paper.

Mr. Simard: Ten o'clock, Mr. Speaker.

[*English*]

NORTHERN AFFAIRS

NORTHWEST TERRITORIES—APPOINTMENT OF COMMISSIONER

On the orders of the day:

Mr. Barry Mather (New Westminster): Mr. Speaker, I wish to direct a question to the Minister of Indian Affairs and Northern Development. Can the minister indicate when the new Northwest Territories commissioner will be named?

Hon. Arthur Laing (Minister of Indian Affairs and Northern Development): Very shortly, Mr. Speaker.

Inquiries of the Ministry

FISHERIES

INQUIRY AS TO ESTABLISHMENT OF GEOGRAPHICAL CO-ORDINATES

On the orders of the day:

Mr. T. S. Barnett (Comox-Alberni): Mr. Speaker, I have a question for the Secretary of State for External Affairs. Does he now have a better appreciation of when he can begin establishing the straight base line co-ordinates under the fishing zone bill, which he said on February 9 he expected to have within a few days?

Hon. Paul Martin (Secretary of State for External Affairs): Yes, Mr. Speaker.

Mr. Barnett: With that very definite assurance from the minister, will he let the rest of us know when he will begin establishing these base line co-ordinates?

Mr. Martin (Essex East): I will be glad to do so.

EXTERNAL AFFAIRS

VIET NAM—POSSIBLE RETURN OF CHESTER RONNING

On the orders of the day:

Right Hon. J. G. Diefenbaker (Leader of the Opposition): Mr. Speaker, would the Secretary of State for External Affairs say whether the government is now giving consideration to sending Mr. Ronning to Hanoi again? I ask this question in view of the interpretation placed on some rather less than lucid remarks made by the minister in the past couple of days in this connection. By what he said or left unsaid did he mean that Mr. Ronning is about to leave for Hanoi?

Hon. Paul Martin (Secretary of State for External Affairs): No, Mr. Speaker, I did not indicate that. I said previously, however, in this house that if the government felt that any situation not now known to us warranted the use of these services they would again be used unhesitatingly.

Mr. Diefenbaker: Mr. Speaker, does the latter part of the minister's statement mean that no circumstances at the moment are known to the minister which in any way cause the government to feel that to send Mr. Ronning there would be helpful?

Mr. Martin (Essex East): I think my answer is complete.

[Mr. Laing.]

FINANCE

SALES TAX INCREASE—REQUEST FOR POSTPONEMENT OF THIRD READING OF BILL

On the orders of the day:

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, may I direct a question to the Minister of Finance. Last Monday I asked the minister whether the government would consider postponing third reading of the bill to increase the sales tax because of the fact that the Carter report was coming down that week. The minister said "No", but third reading was delayed anyway. Now that the government has the report and in view of its comments in respect of the sales tax, will the government consider postponing indefinitely the third reading of the bill?

Hon. Mitchell Sharp (Minister of Finance): Mr. Speaker, the answer again is no.

Mr. Knowles: Does "no" today mean the same thing it meant last week?

Mr. Sharp: Yes, Mr. Speaker, and for the same reason.

IMMIGRATION

PROVISION FOR ESTABLISHMENT OF APPEAL BOARD

The house resumed, from Thursday, February 23, consideration in committee of Bill No. C-220, to make provision for appeals to an immigration appeal board in respect of certain matters relating to immigration—Mr. Marchand—Mr. Batten in the chair.

The Chairman: When the committee rose on Thursday, February 23, clause 1 of the bill was under consideration.

On clause 1—*Short title.*

Mr. Badanai: Mr. Chairman, having been a member of the standing committee on immigration and having had the privilege to serve as parliamentary secretary to two ministers of citizenship and immigration, naturally I am interested in this important and absorbing subject. For years I have given attention to problems and questions in respect of the admission to Canada of prospective immigrants.

In the nine-year period during which I have had the honour to represent the constituency of Fort William, I have consistently maintained that Canada's immigration policies were out of date. In 1962 barely 72,000 immigrants were admitted and we lost nearly as many persons to the United States. That was approximately the situation when in

April, 1963 the present government took office. At that time a start was immediately made to give substance to the statement in the speech from the throne which promised that the government would give attention to the need to encourage immigration.

Subsequently, under the energetic direction of dedicated ministers, the mists which obscured the operations of the immigration services in the past began to clear away. Now, under the dynamic leadership of the present minister, we are assured of an immigration policy worthy of this great nation which has the greatest open spaces to be found anywhere in the world. I am sure every hon. member will agree that positive factors have replaced negative motivations with regard to Canadian immigration.

The white paper, which took two years of intensive study involving many changes, has been the subject of scrutiny by the press and the public in general. It has been before the joint committee of the Senate and the House of Commons on immigration. This committee has recently heard views expressed by many interested individuals and organizations both in Ottawa and Toronto, and spent three days last week in Montreal. It is about the meetings held in Montreal that I wish to speak briefly. Excellent briefs were presented to the committee. During the time that the committee was discussing a brief submitted by the United Council for Human Rights, dealing with the immigration appeal board, the hon. member for Parkdale moved that the house leader be asked to hold clause 1 of the bill to enable members to express their views at the Montreal hearings. This is precisely the reason I wish to participate in the final stage of debate on this important bill.

First of all, I should like to join those who have preceded me in extending sincere congratulations to the minister for introducing this legislation which can be likened to the appointment of an ombudsman who cuts through red tape to fight the ordinary citizen's battle when he gets embroiled in difficulties with government departments. During the past four years many cases have come to light in which immigrants have had trouble with the law and have been confined to jail for long periods without knowing their rights. Most immigrants do not know the laws of this country and if they run into trouble with the immigration department they are almost helpless. The immigration appeal board should be the answer to any unreasonable conditions or demands made by officers of the immigration department in cases of detentions, refusals to grant extensions of temporary permits, and requests for change from one non-immigrant status to another non-immigrant status.

• (3:40 p.m.)

The brief of the United Council for Human Rights stressed the particular concern about the exclusion from the board's jurisdiction of the power to examine into and determine the justification for decisions, based on criminal intelligence reports which are undisclosed, to refuse stay of deportation. An important point of their submission was to the effect that the powers of the appeal board with respect to appeals from refusals to approve sponsorship applications made by Canadian citizens were altogether too restrictive. I agree with their contention and I also urge the minister that appeals from the rejection of sponsorship applications made by any landed immigrant be allowed.

The Catholic immigrant services of Canada made a powerful appeal to the committee on behalf of sponsorship under the auspices of accepted voluntary organizations. The history of immigration to Canada to date has proven the contribution to Canada and to the immigrant that this organization has made in the past. Their submission made it clear that this organization is prepared to continue to work on a partnership basis with the department. Their feeling is that there should be some provision for continued co-sponsorship arrangements with such organizations.

The general feeling expressed by several witnesses was that the white paper proposes an increase of unsponsored immigrants and a decrease of sponsored immigrants. It suggests that sponsored immigrants generally are unskilled and their educational level is not according to the desired standard. The fact is that the sponsored immigrant adapts very easily under the guidance of his sponsor who, in the great majority of cases, becomes his benevolent protector. As everyone knows, the family ties of most European people are very close and a nephew or even a cousin and certainly adult children or brothers and sisters are considered as being part of the family, even if they are married. This is an important consideration.

With regard to educational standards required for admission, this is considered by nearly everyone to be the most decisive deterrent to attracting the number of people we should be looking for to populate our vast country. Regardless of the number of years

an immigrant may have spent at school, the advent of automation makes it necessary to train and retrain several times in a lifetime, and that applies equally to the Canadian born as well as to newcomers.

In this regard I wish to refer to the excellent presentation made on behalf of the government of Manitoba by Hon. Sydney Spivac, Minister of Industry and Commerce, in which he pointed out that the requirements of that province are in the order of 3,500 unskilled immigrants yearly up to a maximum of 10,000 in the next few years. He contended, and I agree, that certain aspects of the policy outlined in the white paper, while claiming to be non-discriminatory in terms of geography and race, do in fact discriminate against the kind of people his province needs today to enable its economy to expand and grow. Rigid admission standards based primarily on education are unrealistic and do not meet the needs of the economy. They are discriminatory rather than expansionistic.

The Mining Association of Canada, in a brief presented to the committee, described the difficulties which many mining companies have experienced during the past two years in recruiting in Canada a labour force adequate to maintain their productive capacity, and suggested that the mining industry will continue to suffer from shortages of suitable manpower unless greater recourse is made to immigration and the educational requirements for unsponsored immigrants are modified.

I have a letter from the chief engineer of Canadian National Railways addressed to Mr. R. F. Welch, president of R. F. Welch Limited of Port Arthur, Ontario, the firm charged with the responsibility of recruiting manpower for building and maintenance of tracks, which I wish to put on record. It reads as follows:

> Canadian National Railways has experienced serious difficulty during 1966 in securing the necessary labour for major track maintenance programs and new track construction.
>
> There is every indication that the shortage of track labour will become even more serious for the 1967 working season. Next summer, in addition to the major track programs to be carried out on existing lines, track laying will be required on five new branch lines. I understand you have had some preliminary conversations and exchange of correspondence, with the regional engineers on the great lakes, prairie and mountain regions, regarding manpower supply.
>
> You are hereby authorized to recruit eight hundred (800) men for work on track maintenance and construction gangs on these regions of C.N. lines during the 1967 working season. Three hundred (300) of these men can be guaranteed twelve months' employment, but the balance of five hundred (500) will be required for the six months' working season only—May to October.
>
> Please keep me advised of your progress in securing these men.

The letter is signed by A. V. Johnston, chief engineer of the engineering department of Canadian National Railways, Montreal.

I do not wish to take the time to refer to a dozen other briefs and submissions made by responsible individuals and organizations, nearly all of them pointing to the fact that the number of years in school or I.Q. tests or academic degrees do not always spell brilliance or even brightness in assessing the desirability of prospective immigrants. It is not even ability that determines performance. I venture to say that dedication, perseverance or just plain good habits and determination are other dimensions to be considered in gauging a person's effectiveness in any job.

I should also like to say a word in favour of establishing some ways and means to enable immigrants from the Ukraine to join their relatives and friends in Canada. I realize that it is not the government's fault we are not getting immigrants from eastern Europe. Nevertheless, I believe that an approach should be made to the U.S.S.R. for a review of their attitude toward a humane immigration policy which would go a long way to establishing greater and more effective friendly relations between our two countries.

• (3:50 p.m.)

Mr. Nasserden: Mr. Chairman, in rising to take part in this debate let me first of all deal with a problem created last week when the committee on immigration held a meeting in the city of Montreal at the same time the House of Commons was dealing with the bill now before us. I think that the circumstances which prevailed point up more clearly than anything else the lack of planning on the government benches with regard to the preparation of the work of the House of Commons. We have heard the Prime Minister and other cabinet members pay lip service to the role committees can play in the preparation of legislation and in helping to make the work of the House of Commons proceed in a more orderly and effective manner. Not only in the immigration committee but in other committees of the house we have seen the spectacle of the House of Commons dealing with legislation at the same time as the appropriate committee was sitting in some part of the parliament buildings or outside the

capital of our nation. To my mind this points us the real need of hon. members opposite, particularly those charged with the order of business that is brought before the house, to take another look at the way in which they have discharged their responsibilities in this regard. Indeed, I cannot help but feel that this was an affront to the members of the committee and parliament itself and as such should be noted in the record at this time.

Every member of the committee had to make a choice whether to stay here or go to Montreal. Many of us went to Montreal because we thought we should hear from the people who had representations to make before we came back to the House of Commons to consider the legislation that was before the house. Now we are presented with an accomplished fact; everything in the bill has been dealt with except clause 1. The hon. member for Fort William indicated that the hon. member for Parkdale had moved that only clause 1 be held in abeyance. I do not think this is quite correct. I think the hon. member for Parkdale indicated that consideration of this bill should be delayed until we had heard the representations to be made to us. I wanted to set the record straight in that regard.

The situation thus created resulted in our committee sitting in Montreal almost without any representation from the New Democratic Party. Apparently they thought it was more important to be here in the House of Commons. This points up the whole question of which is more important and where the duty of a member lies. This confused situation exists when there is inadequate planning in respect of the business of the house.

I know that Bill C-220 does not deal with the whole sphere of immigration matters but the hon. member for Fort William said something about the white paper and perhaps at this time, Mr. Chairman, you would allow me to say a word or two about it. I do not wish to deal with this question at any length. The hon. member for Fort William referred to the fact that there had been a two-year study of immigration. In view of the fact that for two years the minister considered this question, when I look at the shortcomings of the white paper, which has failed to recognize the need for unskilled and semi-skilled people in this country and has created a number of other discriminations in regard to families and so on, I cannot help but wonder what consideration was given to this matter during those two years.

I should like to make one suggestion to the minister with regard to some of the hearings that have so far been held. I urge the minister to consider the urgent need of an immigration officer and office in Beirut, Lebanon. There is a real need for opening an office there. I should like the minister to give this matter his careful and considerate attention.

In considering the legislation before us I am very glad that the hon. members who were here were able to bring forward the amendment which has made it possible for a person making an appeal to have laid before him the information forming the basis upon which deportation was decided. This will give him an opportunity to prepare his defence and lay out his case in a more orderly manner than has been the case in the past. Without saying anything further in that regard, Mr. Chairman, I shall conclude my remarks.

Mr. Haidasz: Mr. Chairman, in beginning my remarks on clause 1 of Bill C-220 I hasten to thank the Minister of Manpower and Immigration for reopening this clause. This gives the members of the special committee on immigration, who were doing their duty in Montreal hearing briefs from important regional and national organizations on Canadian immigration policies as outlined in the white paper, an opportunity to express their views on this question. It was just and courageous of the minister to grant the members of our committee the opportunity to exercise our right, state our views today and make them known to the committee of the whole. We are glad to have this opportunity to place before the committee of the whole the representations put before us when hearing briefs in Toronto, Ottawa and Montreal.

May I say at the outset that I was the one responsible for the action taken by the minister, having moved in Montreal a motion to inform the house leader that the members of the Committee who were in Montreal should be able to make known to the committee of the whole the views of these important national organizations, especially the views of the United Council for Human Rights which represents no less than 24 very important organizations in the greatest city of Canada.

The United Council for Human Rights is composed of the Quebec Federation of Labour, the Confederation of National Trade Unions, the Canadian Jewish Congress, the United Nations Association in Canada, the Office des Oeuvres de L'Archevêché de

Montreal, and many other important organizations. I was shocked, and so were the members of the committee, I believe, to hear some of the grievances that were expressed. These grievances are outlined in the brief presented to us. I do not want to take the time of the committee of the whole to read them but they are grievances which merit the attention of the house and especially of the minister. They cry out for the recognition of human rights, because in dealing with matters of immigration we are concerned with the dignity of the human person.

I also wish to answer some of the remarks that were made last Thursday in the committee of the whole. It was said on that occasion that the members of the immigration committee had no right to express the views that we did in Montreal. One of the reasons given was that Bill C-220 has nothing to do with the white paper. May I draw to your attention, Mr. Chairman, that the new immigration appeal board is mentioned specifically in the white paper in sections 88, 90 and 92. The new immigration appeal board and matters connected with it are also mentioned in the second Sedgwick report on immigration at pages 6 to 10. I believe this is proof enough that the immigration appeal board was a matter for study and consideration by our committee. This has been accepted by the chairman. I believe that these remarks negate what was said last Thursday night, namely, that we had no right to ask the committee of the whole to hear our views about the immigration appeal board.

• (4:00 p.m.)

The briefs which were presented in Toronto, Ottawa and Montreal pointed out the necessity of extending the classes of relatives that can be sponsored by Canadian citizens and landed immigrants. This point is dealt with under clause 17 of the bill and I understand that several amendments were proposed to change it and the related clauses.

I understand the difficulty of the minister in trying to satisfy every point of view. However, I believe it is my duty, representing as I do the constituency of Parkdale almost 50 per cent of which is composed of people of ethnic origins other than French and Anglo-Saxon, to express the views of my constituents. I hear from them about many cases dealing with immigration problems which call for humanitarian, moral and compassionate action. I also receive representations on the same subject from all across Canada and they

are also based on humanitarian and compassionate grounds. Unfortunately, owing to the way in which the department has been run so far, it has been very difficult to obtain a favourable decision in most of these cases in which appeals have been made on compassionate and moral grounds. For this reason I appreciate the fact that amendments have been made to certain clauses allowing for compassionate grounds to be taken into account in the review of appeals.

However, there are other recommendations which have been made in the briefs from important national organizations. One of them is that the classes of relatives which can be sponsored should be extended. According to the white paper on Canadian immigration policy, a Canadian citizen can only sponsor up to an unmarried niece or nephew under 21 years of age. Most of the representations made to me, and I believe to other members of the house, have asked for an extension of the class of relatives that can be sponsored to include first and second cousins. In some cases, requests have been made to extend the class of sponsorable relatives to next of kin.

The reason for these requests is that many Canadian citizens do not have close relatives in the old country but wish to bring their next of kin who might be their fourth or fifth cousin. I believe that the Canadian government should grant Canadian citizens the right to appeal to the board asking for an extension of the classes of relatives specified in the regulations designated by the governor in council.

I make these remarks in the presence of the Minister of Manpower and Immigration because I feel it is my duty as a member of parliament to voice the wishes of the people whom I represent in this house. I believe in government of the people, for the people and by the people. We are here to legislate for the people. The people want these changes for which they have been asking for the past four years. If we turn a deaf ear to their demands we will be acting in a rather contemptuous manner. I wish to stress how important it is to listen to the requests of Canadian citizens. I am happy to have been granted the opportunity this afternoon to make these representations in the committee of the whole.

May I also express words of appreciation for the arduous task which the minister is performing. I realize that he has made more progress in immigration matters than any other immigration minister in Canadian history and I want to pay him a tribute for his efforts. I also wish to urge him to continue his

work and to take our remarks into consideration.

Mr. Klein: Mr. Chairman, I should like to intervene in the debate to indicate to the house some of the highlights of the brief presented by the United Council for Human Rights and to indicate that in my view the amendments which were brought forward by the Minister of Manpower and Immigration during the course of the debate have largely taken care of some of the recommendations contained in that brief. Perhaps some that are not covered will be considered by the committee set up to study the white paper on immigration policy and will be implemented in their recommendations.

I should like to say in support of the position taken by the hon. member for Parkdale that I think it is only fair to point out the fact that of all the briefs this particular brief dealt more exclusively and to a larger extent with the immigration appeal board. Most of the briefs dealt generally with the white paper and did not concentrate in depth on the immigration appeal board to the same extent as did the brief of the United Council for Human Rights.

I should like to quote from the brief to indicate the extent to which the amendments put forward by the Minister of Manpower and Immigration have covered its main recommendations. It reads in part as follows:

> We welcome the proposed reconstitution of the board of immigration appeals as an independent court of record with appeals on questions of law to the Supreme Court of Canada and with authority to deal conclusively in all respects with appeals against orders of deportation; and
>
> We welcome the power given to the board of immigration appeals to stay the execution of deportation orders on the ground of unusual hardship and the possibility that the person concerned may be punished for activities of a political nature should he be deported; but we object to restricting its powers regarding appeals from refusals to approve sponsorship applications to those made by Canadian citizens and recommend that there shall also be an appeal from the rejection of sponsorship applications made by any landed immigrant; and we view with concern the exclusion from the board's jurisdiction of the power to examine into and determine the justification for decisions, based on criminal intelligence reports which are undisclosed, to refuse stay of deportation; and we also recommend that the board of immigration appeals be given the power to consider and pass upon appeals in connection with
>
> (a) refusal of special inquiry officers to grant conditional release;

● (4:10 p.m.)

> (b) unreasonable conditions for release and demands for exorbitant amount for release bonds;
>
> (c) denials to grant voluntary departure;
>
> (d) refusals to grant extensions of temporary permits and requests for change from one non-immigrant status to another non-immigrant status...
>
> We recommend that change of status from that of non-immigrant to that of immigrant, while in this country, be liberalized to afford relief not only in all cases of bona fide marriage to a Canadian citizen or landed immigrant but also in all cases where undue hardship may be caused by deportation.
>
> We view with concern the minister's acceptance of the vicious principle of "guilt by association" and the granting of extraordinary powers to immigrant officers to make subjective decisions and believe that, unless proper safeguards for review, both administrative and judicial, are afforded and clear and precise definitions are set forth in the act or published regulations, the following proposed categories should not be included in the list of prohibited classes, to wit, "persons suspected of associating with criminals, so-called professional gamblers, confidence men and fugitives from justice who have not been declared to be such by the regular courts of law"; we also recommend that the existing provisions of the Immigration Act which give immigration officers the power to determine whether a person is "likely" to commit an offence or "likely" to become a public charge and which recognize "guilt by association" be reviewed and carefully redrafted to avoid abuse.
>
> We also view with concern the intention to include in the prohibited classes those "attempting to circumvent immigration procedures" unless these "procedures" are clearly set forth in the act or in published regulations available to the public; and we also view with concern the proposed inclusion in the prohibited classes of those who give "false and misleading information about themselves or their intentions" unless it is clearly set forth that the misrepresentation is wilful and the information is material and relates to immigration matters, otherwise, this power is open to abuse and would lead to "fishing expeditions" into the private lives of individuals into areas of no direct concern to the immigration department.

I am reading excerpts from this brief. Finally, the recommendations are as follows:

> (a) the right to counsel should be meaningful and should be exercisable immediately upon detention;
>
> (b) there be a complete separation of officers performing adjudicatory functions from those handling the investigation and prosecution of cases;
>
> (c) petty offences be excluded from those convictions under the Canadian Criminal Code that are subject to deportation

Farther down the page they recommend:

> (g) evidence before the special inquiry officers should have probative value and not merely be "credible and trustworthy in the opinion of the special inquiry officer";
>
> (h) judges be given the power to recommend no deportation in convictions under the Criminal Code;
>
> (i) police cells and prisons be not designated as "immigrant stations";
>
> (j) machinery be set up to prevent unreasonable delay in processing cases.

Those are the highlights of the brief. I believe that many of the matters complained

of have been covered by the various amendments that have been made by the minister. Those that have not can be covered in subsequent legislation. Many people are concerned about Canada being a satellite of the United States. I do not know how Canada can get away from the status of being a satellite of the United States as long as we continue the practice of discouraging United States investment for manufacturing purposes and discouraging immigration into this country. I do not know how we can ever become a great nation. During the last two years about 250,000 immigrants came to this country and they brought with them $250 million. This is a statistical fact. I have suggested on occasion that perhaps it might be a good idea for Canada to admit a million immigrants immediately so we could redress our balance of payments because they would bring $1 billion into Canada. I feel that since 1957 the Canadian government—I include the present government and the government of the Conservative party—has been over-protective. As a result we have become a nation of resenters. We resent everything in this country. We even resent each other.

Some hon. Members: No, no.

Mr. Klein: This is true. We seem to want to make progress in this country reluctantly. If there is a difference between 1867 and 1967, I think it would be that in 1867 we feared the United States but we did not resent her. In 1967 the reverse is true; we resent the United States but we do not fear her. Perhaps if the reverse were true we would be a more united country than we are at this time.

Mr. Kindt: You are all wrong.

Mr. Stewart: Those are harsh words.

Mr. Bell (Carleton): Let us get back to the bill.

Mr. Klein: I want to come back now to the question of the immigration appeal board and the hearing of appeals on humanitarian and compassionate grounds. I think this places on the special inquiry officers a greater duty than heretofore. In my opinion, unless the special inquiry officers are ready to shoulder their responsibility the immigration appeal board is going to be swamped with appeals. Every single case of every immigrant, so far as the immigrant or the sponsor is concerned, has a humanitarian and compassionate aspect. What is needed in the immigration department is a process of unlearning what has been learned in that department in the past 50 years. The department has to adopt a new attitude. It has to adopt the attitude expressed by the briefs that have been submitted by the different organizations which have come before the committee.

I may say that in view—I may be contradicted by other members of the committee—the country is ahead of the white paper. I believe that the progress made by the Minister of Manpower and Immigration, as referred to by other members who have preceded me, deserves commendation and the highest praise from all segments of the Canadian people. He has introduced for the first time, in the immgiration appeal board, the concept that a sponsor can sponsor a relative of his by right of the fact he is in Canada. I want to add my personal compliments to the Minister of Manpower and Immigration.

• (4:20 p.m.)

Mr. Dinsdale: Mr. Chairman, I want to comment briefly on the point that has been discussed this afternoon and I can assure members of the committee I shall stick to the principle of the bill. A comment has been made with reference to an incident that took place in the committee on immigration last Thursday in the city of Montreal. I must admit I was somewhat disappointed and frustrated at having to be away from the house when this important bill to set up an appeal board was under discussion. At the same time I felt that the benefit of attending the committee hearings in Montreal would in the long run be of some useful purpose in gaining a wider understanding of the problems of the very difficult field of immigration.

I must confess too that I thought it might have been a deliberate government stratagem to have the members of the house most directly interested in immigration matters elsewhere at the time such an important item as Bill No. C-220 was before the committee of the whole. Obviously, Mr. Chairman, judging from the comments of the hon. member for Parkdale and the chairman of the committee, the hon. member for Cartier, there was no deliberate stratagem. It was just lack of good planning and management that the two activities relating to immigration took place simultaneously.

The new approach to the functions of house committees has been heralded by the government as an improvement in the management of the growing complexities of the business of this house. That could be, but unless there is

overall co-ordination to avoid the situation which confronted us last week this approach, rather than assisting and facilitating the business of the house, is going to create a further log jam. As a matter of fact, this debate was held over from last Thursday because of the criticism that had arisen in the committee. We have been proceeding now for an hour or so to debate matters that could have been resolved had there been proper co-ordination. I feel that the present operation of the committee system instead of facilitating the business is confusing and aggravating. There are so many committees sitting that it is quite impossible for members to give attention to their respective committee responsibilities.

At the same time, Mr. Chairman, I can sympathize with the hon. member for Parkdale in his concern because the brief presented to the committee in Montreal last Friday by the United Council for Human Rights pertained specifically to the legislation before the house. On looking at *Hansard* to review the debate which took place last week in the absence of the members of the committee I find that the United Council for Human Rights dealt precisely with one of the points which were raised with considerable force and skill by the hon. member for Carleton. That was the matter of the reference of security cases to the appeal board. The suggestion of the United Council for Human Rights was that we might consider security cases under the two heads of criminality and subversion and cases in the first category might be referred to the appeal board. I know that the minister put up a strong argument that in cases of subversion sources of information are dried up if they come before an appeal board and are discussed publicly.

This question was discussed in the committee last week and the United Council for Human Rights was aware of this difficulty. At the same time it saw no need for such hush-hush procedures in cases involving security based on criminality. In view of the debate last week this is all water that has gone under the bridge. Clause by clause consideration of the bill has already taken place. Some excellent amendments put forward by hon. members were acceded to and they do improve the bill. At this state an opportunity is merely being provided on clause 1 to make general statements, and I thought it was incumbent upon me to add my voice to those of others who have protested against the lack of co-ordination and the further confusion of our business which has resulted from the failure of the government to co-ordinate the functions of the committee of the whole and the committees of the house.

Bill No. C-220 to establish an appeal board is an important bill. As I recall, there have been no changes in immigration policy since January, 1963, when very dynamic leadership was given to the immigration department by my colleague the hon. member for Carleton, and I am delighted to see that he has been most active in the course of the committee deliberations.

Perhaps I should add one other comment. We had an interesting presentation on Friday last, by a very fine group representing the West Indies, I believe, and they wound up their presentation with that well known French adage, "Plus ça change, plus c'est la même chose". That was their summation of the white paper as it stands. I am sure that had they looked at the original form of the bill to establish the appeal board they would have made the same comment. As I say, some worth-while amendments have been made, which is an indication of what can be done when opposition and government work together to achieve beneficial results in the most important field of immigration.

I am not going to press the brief of the Manitoba government because I might be accused of being prejudiced in this regard. I am sure that the minister will read it with a great deal of edification because I think it points to one of the great weaknesses in the white paper, namely, that it is oriented toward our urban, industrial, metropolitan communities. The fact is that in certain parts of Canada, so far as manpower needs on our frontier are concerned, there is still much to be taken care of by a dynamic immigration policy. However, this is another matter which lies in the future. We shall be considering immigration in its broad perspective in due course and we will have many more comments to make at that time.

Mr. Bell (Carleton): Mr. Chairman, does the minister intend to make any comment on the statements that have been made today? With friends such as he has on his side of the house I do not think he needs an opposition.

Mr. Marchand: Just a few comments, Mr. Chairman. First of all, I understand that the members of the committee in Montreal felt frustrated when they heard that we were discussing in this chamber the very subject they were dealing with in Montreal. I think

the members of the committee will also understand that the committee of the whole might be frustrated if all the standing committees sat at the same time and paralysed the work of the house. So there is a problem of organizing the work of the committees and the house. I hope we shall find a solution. It is frustrating for the committee of the whole to be paralysed by a telephone call or by an item in a newspaper. This problem must be dealt with. I understand how the hon. member feels, but I hope he understands how we all feel in the house.

• (4:30 p.m.)

As to the second point, I do not wish to dwell on the white paper. It is not perfect and I hope it will be amended in parts. The educational requirements seemed to exercise most hon. members. I did not invent the educational requirements. They were in the law before I appeared on the scene. We must remember that the bill concerning the appeal board was read for the first time before the white paper was tabled in the house. I hope we shall find more flexible criteria and that in due course we shall obtain the same kind of co-operation in this area that we have obtained in discussing the appeal board bill. I do not wish it to be thought that I am not interested in hon. members' comments, but at this stage I do not think they are relevant to the bill we are studying.

Another point I wish to refer to affects the department and the government. I think the hon. member for Cartier referred to this matter, which also was dealt with in the newspapers. It has been alleged that mental hospitals and prisons on a certain list are used by the immigration department. I must state emphatically that a person appearing at a port of entry with inadequate documents is not detained in a prison or mental hospital. Any such allegation plainly is not true. It is not a fact. Of course, if the person is mentally ill he might be referred to a hospital. If he has been sentenced in Canada he might be sent to a jail shown on a list, but never for the reason alleged. The immigration department does not send a person to a mental hospital or prison. This impression should be corrected, if there is such an impression. It is not the policy of the department and it has never been in the past under any government. We have enough real problems and we should dispense with all unreal problems. I do not know what motivated this rumour, but let us forget about it.

[Mr. Marchand.]

Those are the only comments I wish to make at this stage. Again I wish to thank hon. members for their co-operation. Though this legislation is not perfect and can be improved, I am sure it is an important forward step in bringing in the kind of immigration policy that we desire to have for Canada.

The Chairman: Shall clause 1 carry?

Some hon. Members: Agreed.

Clause agreed to.

Title agreed to.

Bill reported.

Mr. Deputy Speaker: Since the bill has been substantially amended in committee is it the wish of the house that the bill be reprinted before being read a third time?

Some hon. Members: Agreed.

Mr. Deputy Speaker: Agreed. It is ordered.

POSTAL SERVICES INTERRUPTION RELIEF ACT

MEASURE TO RELIEVE LOSS OR HARDSHIP RESULTING FROM INTERRUPTION OF SERVICES

Hon. L. T. Pennell (for the Minister of Justice) moved the second reading of Bill No. S-55, to provide relief in certain cases against loss or hardship suffered as a result of interruptions of normal postal services.

He said: Mr. Speaker, some federal enactments impose a time requirement or period of limitation within which something must be done. If a person fails to comply with such a time requirement or period of limitation, other than by his own choice, he may suffer loss or hardship. One example of a time requirement or period of limitation of that kind is found in section 28 of the Patent Act, which imposes a time requirement with respect to the filing of an application for a patent for an invention. If the time requirement is not complied with, no patent can issue for the invention and the invention will fall into the public domain.

It is known that a number of persons missed time limits of one kind or another under the Patent Act and the Trade Marks Act as a result of the postal strike in 1965. Although it is likely that all cases of time limits missed under industrial property legislation as a result of that strike have by now come to the government's attention, there is, of course, no way of being certain that that is

so or of knowing whether there are cases that have not come to our attention of time limits missed under other federal enactments. Moreover, it is not possible to foresee under what federal enactments time limits may be missed as a result of any future interruption of normal postal services.

The purpose of this bill is, therefore, to provide a way in which relief may be obtained by persons who, because of an interruption of normal postal services, suffer loss or hardship as a result of failing to comply with a time requirement or period of limitation contained in any law of Canada. This bill will apply not only to the interruption of normal postal services caused by the postal strike in 1965, but also to any subsequent local or national interruption of normal postal services however caused. A flood or other local disaster is an example of something that might cause a local interruption of normal postal services.

The bill provides that a person who wishes to obtain relief must apply to a judge of the Exchequer Court of Canada. He must also give 14 days notice of the application to the deputy attorney general of Canada and to any other person who he has reason to believe may be affected by any order that may be made pursuant to clause 3 of the bill. In order to ensure as far as possible that the application for relief will come to the attention of all interested third parties, clause 4 provides that the judge may direct the applicant to give public notice of the hearing of the application. By providing in the bill that notice of the application must be given to the deputy attorney general of Canada, it was felt that the interests of the government department or authority administering the law that contains the time requirement or period of limitation will be adequately protected.

The bill provides that the granting of an order will be in the discretion of the judge. However, before he may exercise that discretion he must be satisfied on three points, namely,

(a) that the applicant suffered loss or hardship as a result of the interruption of normal postal services;

(b) that the applicant took such reasonable steps as were open to him to comply with the time requirement or period of limitation; and

(c) that the application was made without undue delay.

Clause 3 also requires the judge to afford to any person who may be affected by any order that he may make an opportunity to be heard or to make representations. Paragraph (d) of clause 3 provides that the judge may make an order waiving the time requirement or period of limitation and fixing a new one. Paragraph (e) of that clause provides, in effect, for the making of such further order as may be necessary to give full effect to an order made under paragraph (d). The provision in clause 3 that an order may be made subject to such conditions, if any, as to the judge seem just is intended to give flexibility that may be necessary in dealing with cases where third parties may be affected by the order.

• (4:40 p.m.)

Perhaps I should mention in closing that at the appropriate stage when the bill is before the committee I shall seek an amendment to the bill proposing the addition of one further clause of a procedural nature. It has been suggested to me, and I am inclined to think that the suggestion is a useful one, that it would be undesirable, where an application has been made to a particular judge, to require that all further proceedings consequent on the application must be taken by or before that judge. The proposed amendment would make it clear that any such further proceedings may be taken by or before any other judge of the court in the same way as though the application had been made initially to the court.

Motion agreed to, bill read the second time and the house went into committee thereon, Mr. Batten in the chair.

On clause 2—*Application for relief to judge.*

Mr. Bell (Carleton): Mr. Chairman, I think the minister has made the case as to both the necessity and desirability of this legislation and I have only a few brief comments to make in connection with it.

The first question I would like to ask him is whether the bill applies in cases other than patents, trade marks and copyrights? Has he knowledge of other legislation where this bill might be effective?

The second question I would like to ask him is whether this principle of the bill and the proposed procedure thereunder have been discussed with the Canadian Patent Institute and whether it is satisfied that the bill will meet the situation as it applies to patents and trade marks?

The third matter to which I would refer is the question of the time limit within which

an application is to be heard. The bill provides that the judge must be satisfied that the application has been made without undue delay. Those words are not too clear. Does the minister not think it would be wise to put a time limit in the bill within which the application would have to be made subsequent to the resumption of normal service?

Finally, may I ask the minister whether he does not think there may be some possibility of similar difficulties arising in relation to other interruptions, for example, an interruption of telegraph and telephone service, and whether the confining of this bill merely to postal services is in fact a wise limitation?

Mr. Pennell: It is my understanding that the bill will apply to any situation where a person has suffered loss or hardship by failing to comply with a time requirement in a statute. It is my understanding that the only cases that have come to light come under the Patent Act. Under the Bank Act bills of exchange are instruments that are subject to time requirements. I understand the Industrial Design and Union Label Act is another statute which has certain time requirements. Therefore, dealing with that particular aspect of the hon. member's question, the bill applies to provide relief against loss or hardship caused by stoppage of normal postal services where a statute has a time requirement.

Another question arised by the hon. member centred around the words "undue delay". I agree that so far as lawyers are concerned this is a vague term. However, the bill provides for the operation of the discretion of the presiding judge. I am sure the hon. member will agree that if it is a question of fact then each case must be taken on its own merits, and what might be undue delay in one case might not necessarily be undue delay in another. For that reason, as it is a matter of fact rather than of law, we used the words "undue delay" and left it to the judge hearing all the facts in a case to decide whether it was an appropriate case.

Another interesting point raised by the hon. member concerned why the application of the bill was limited to interruption of normal postal services and did not include telegraph and telephone services. From talking with the officials I understand that it is only in case of the interruption of postal services that there is any real difficulty and that it applies almost entirely to applications mailed from other countries. Some of the applications would require written forms, possibly with some designs attached to them that could not be transmitted very well by telegraph or telephone. It was felt that restricting the bill to postal services would not impose any hardship on any individual and that the addition of provisions covering telephone and telegraph services would not add materially to the application of the bill. Just as I was reaching for my pen the hon. member asked another question. Would he mind repeating it?

Mr. Bell (Carleton): Has this matter been discussed with the Canadian Patent Institute and is the executive of that distinguished organization in general agreement with the bill?

Mr. Pennell: I am advised that there was no formal discussion with the institute but a number of the leaders in the institute have been consulted as individuals. The hon. member, of course, is aware that this bill has been dealt with in the other place and that there was considerable public notice of the bill and its contents. No opposition having been filed by the institute, we proceeded on the basis that there was no formal objection.

Mr. Knowles: May I ask the minister whether the bill has any effect on loss or hardship suffered outside the government area, for example, if a person suffers loss or hardship in relation to an insurance contract where there is a time limit involved? Does this legislation apply any relief in such a case?

• (4:50 p.m.)

Mr. Pennell: As I understand the bill relief can only be granted when there has been loss or hardship suffered by failure to comply with a time limitation set down in a statute of parliament. A private individual, of course, could obtain relief if he, for instance, was filing an application for a patent and because of the interruption of the postal services was not able to file his application in time. That would be a case of a private individual suffering a loss. I hope I have explained the situation satisfactorily.

Mr. Bell (Carleton): In any event, this probably would be a case in respect of which the provincial legislatures would have to act.

Mr. Pennell: I think the hon. member for Carleton has put the case correctly.

Clause agreed to.

Clauses 3 and 4 agreed to.

Mr. Bell (Carleton): Mr. Chairman, is this the point at which the minister has an amendment?

Mr. Pennell: Mr. Chairman, as I indicated earlier I seek to make an amendment by adding the following new clause 5:

Where in respect of any application under section 2 any matter or thing is authorized or required by this act to be done or proceeded with by or before a judge of the Exchequer Court of Canada, the matter or thing may be done or proceeded with by or before any other judge of the court as though the application were an application to the court.

Mr. Greene: I so move.

Mr. Pennell: Perhaps I may be permitted to offer a brief word of explanation. As members of the committee are aware the Exchequer Court judges frequently are required to conduct courts in various provinces across the country. It was felt it might not be advisable to have an application made to a judge while he was sitting in Ottawa because he might be called, for instance, to Vancouver to perform other judicial duties and the applicant, as the bill is now worded, would have to wait until that judge returned to Ottawa before he could take any further steps in respect of the application. The intent of the proposed new clause is to permit a second or subsequent step to be taken before another judge of the Exchequer Court.

Mr. Bell (Carleton): I do not think there will be any objection to this amendment, although I would have preferred to have the minister amend the bill so that the application would be made initially to the court rather than to a judge. If that were the case this amendment would not be needed. There is some danger in providing for application to a judge as such, because it may be that the judge thereby is *persona designata.* However, I shall not pursue the argument. There is no objection to the amendment, although a drafting amendment whereby the application would be to the court might have been preferable.

Mr. Pennell: May I answer very briefly? What the hon. member says is quite right. It could have been done in the way he suggests and it might have been more explicit in that form. But as I understand it, by drafting it in the way proposed a little less work was necessary on the part of the draftsman. It will achieve the same end.

Amendment agreed to.

Clause 1 agreed to

Title agreed to.

Mr. Pennell: Mr. Chairman, I wish to indicate that the hon. member for Carleton is well informed so far as the importance of this bill is concerned. It now has been drawn to my attention that the Patent and Trademark Institute of Canada did suggest that the department make an amendment concerning the points covered by this bill although it did not appear formally as a body to make representations.

Bill reported.

Mr. Deputy Speaker: When shall the bill be read the third time?

Mr. Bell (Carleton): By leave, now.

Mr. Pennell moved the third reading of the bill.

Motion agreed to and bill read the third time and passed.

FUND FOR RURAL ECONOMIC DEVELOPMENT ACT

AMENDMENT INCREASING AMOUNTS AVAILABLE UNDER AGREEMENTS WITH PROVINCES

Hon. Maurice Sauvé (Minister of Forestry and Rural Development) moved that the house go into committee to consider the following resolution:

That it is expedient to introduce a measure to amend the Fund for Rural Economic Development Act to increase the limit on the aggregate of the amounts that may be paid out of the Consolidated Revenue Fund and charged to the Fund for Rural Economic Development under agreements with the provinces from fifty million dollars to three hundred million dollars.

Motion agreed to and the house went into committee, Mr. Batten in the chair.

[*Translation*]

Mr. Sauvé: Mr. Chairman, royal assent was given on July 11 to Bill No. C-151 to provide for the establishment of a fund for the economic and social development of special rural development areas. The purpose of today's resolution and bill is to increase the fund from $50 million to $300 million—

[*English*]

When royal assent was given to establish the fund for rural economic development the legislation provided a special account in the consolidated revenue fund and the appropriate authority to enable the federal government and the provinces to join forces in concerted attacks on the problem of rural poverty. The approach was novel and significant in that it called for the joint development and

implementation of comprehensive and coordinated programs for regions of acute rural poverty to raise substantially the standards of living of the residents of these areas as well as the economic and social opportunities open to them.

The fund was to be used to provide financial assistance beyond that normally available under the cost sharing provisions of the rural development agreement established under the ARDA legislation. More fundamentally, however, the legislation was designed to provide a means whereby federal and provincial agencies could work together to birng all available programs to bear jointly on depressed rural areas. The process leading to the signing of a federal-provincial agreement for the comprehensive development of special rural development areas involves several steps.

• (5:00 p.m.)

In the first place, development areas have to be identified. These are areas with readily apparent problems of widespread and severe low income, where the economic and social situation indicated little hope for improvement without special action and where there exists none the less a recognizable development potential. Economic and social studies are then undertaken to detail in depth the problems of the area and the appropriate remedies. These researchers can be carried out with substantial federal assistance under the Agricultural Rehabilitation and Development Act. Once the investigations are completed, the province and Canada can jointly draft a comprehensive development plan based on the studies and taking into account the attitudes of the local people as expressed through local committees. These integrated plans provide for a broad range of interrelated projects designed to increase income, raise the standards of living in the area and provide a better adjustment of resources and peoples. It should be stressed here that involvement of local people is built in throughout, both at the development and at the implementation stages.

When this legislation was introduced it was mentioned that studies were in progress in various areas of this country preparatory to the development of comprehensive plans. At that time, none of these studies had reached the point where a comprehensive plan had been finally developed. While we had every indication of substantial provincial interest, we could not yet be certain of the extent to which provinces would wish to participate in large scale in integrated programs for specific areas. This uncertainty, as I will make clear later, has now been substantially removed.

At the time the bill was introduced into the house, we noted that studies were in progress in New Brunswick, Nova Scotia, Prince Edward Island, the interlake area of Manitoba and the lower St. Lawrence-Gaspé area of Quebec. Since then a new study has been initiated in Newfoundland. On September 20, 1966, Canada entered into two agreements with the province of New Brunswick under the terms of this legislation calling for comprehensive rural development plans for the northeastern and Mactaquac special rural development areas of that province. Northeastern New Brunswick, a region containing approximately 106,000 people, has a labour force of which approximately one-third are seriously underemployed or permanently unemployed. Incomes are just over $500 per capita, much less than half the Canadian average. Investments in social capital have lagged behind, especially in education. Thirty six per cent of the labour force have an education of grade 4 or less compared with 13 per cent for Canada, and only 17 per cent have reached grade 9 or higher compared with 33 per cent for Canada.

The main objective of the plan, as it was developed, is to provide for a major provincial commitment in education to enable the population to take advantage of new opportunities expected to become available in the area. There is provision for profound structural adjustments in the resource sector, to be accomplished by the province standing ready to buy land offered for sale to permit the rural people to benefit from technical and vocational training. There will be development work to assist fisheries; roads will be built to assist school consolidation and there may be some investment in recreation. A resettlement program is foreseen for those who voluntarily agree to move to larger centres to take advantage of new opportunities and social amenities.

The total development program calls for expenditures of $90 million. The federal contribution, including the cost of the manpower program, will exceed $62 million. The contribution from the fund for rural economic development is to exceed $31 million.

In the Mactaquac area, a smaller but similarly well balanced plan calls for a total comitment of almost $21 million, with a contribution of more than $9 million from the fund.

The Mactaquac plan also foresees major retraining, resettlement and rehabilitation programs to go along with resource adjustment and development.

In signing agreements with the province of New Brunswick for two major comprehensive rural development programs, Canada has committed almost $41 million of the $50 million provided by the initial legislation which was passed by this house on May 12, 1966. The legislation provides that when an agreement is signed the funds must be encumbered. At the present time, however, the research phase in the interlake area of the province of Manitoba has been completed and the province and the officials of the Department of Forestry and Rural Development have drafted a proposed comprehensive development plan. This plan is now ready for final review by senior federal and provincial officials and, if accepted, will result in an agreement requiring a substantial commitment from the fund, possibly in excess of $25 million, although the total plan may cost about $65 million to $70 million.

In the initial debate in the house, many members suggested that $50 million was not enough to carry out the program that was outlined as the objective of the legislation. One hon. member commented that almost $2 billion would be required to develop the rural areas of Canada that are subject to chronic poverty conditions. At the time of discussion it was agreed that the initial $50 million would undoubtedly be insufficient to meet demands but that as yet there was some uncertainty as to the reception of this new concept in rural development by the provinces. We now have clear indications of provincial interest. The comprehensive plan for the interlake area may require at least $25 million from the fund.

Preliminary discussions are under way with the province of Quebec based on the report of the Bureau d'Aménagement de l'Est du Quebec and it is hoped that a mutually satisfactory strategy for the lower St. Lawrence-Gaspé area can culminate in an agreement with that province in the near future.

The investigations in Nova Scotia, Prince Edward Island, and Newfoundland are to be completed this year and agreements with those provinces might be concluded shortly thereafter. The totals of these programs, plus developments in certain areas of Ontario and the three remaining western provinces, will easily commit the balance of the $300 million.

The process through which plans can be developed has been determined and progress has been rapid. We have good hopes that the provinces will now take advantage of the opportunities open to them to assist those rural regions that require special attention. We are confident that we can join together as partners to eliminate the conditions that have resulted in abject poverty for so many rural Canadians. The fund as it now stands is totally inadequate for that overriding purpose. Its enlargement to the proposed size should enable us to look forward more reasonably to the final elimination of rural poverty in Canada.

I hope that members of the committee will readily adopt this resolution.

Mr. Danforth: Mr. Chairman, we on this side of the house are not surprised at the minister coming once again with a request for additional funds to augment this program. We were dubious when the act was passed in May that $50 million would be adequate, particularly in view of the vast areas of this country devoted to agriculture. No matter how affluent agriculture may be in a province there are always some segments which, because of climatic conditions and geographical locations in relation to markets will suffer more than others to the detriment of the financial return to those engaged in agriculture in those areas.

• (5:10 p.m.)

When this legislation was introduced we in the official opposition took no exception to it and in fact were in accord with the principles outlined in it, but we had some reservations which we expressed at that time. One reservation was: Why was such an act necessary when one considers all the specific aids outlined in ARDA? Second, we asked how this act would be administered in conjunction with the ARDA program. We were particularly concerned about the joint action of the federal and provincial governments under this new legislation. It seemed to us that the provisions of Bill C-151 gave the federal government much more power to intrude into provincial jurisdiction than was necessary or had been granted under the provisions of ARDA.

We are not too adverse to the actions of the federal government in promoting the welfare of agriculture in the various provinces. I think farmers in general are not too particular where the aid comes from provided that the nature and substance of the aid are enough to really achieve something in depressed areas. But according to the explanation given by the minister today we see that the act allows a more concentrated effort

in the way of federal aid in smaller, designated regional areas. It allows the more effective use of government funds to correct what is a very major problem in smaller areas to the degree that the financial return to the farmers or indeed the communities in those areas can be raised.

When this act was introduced by the minister he enumerated some of the things it was designed to do. In explaining the reasons for the act the minister stated that it certainly could not be used as disguised social welfare for any particular reason. He said it was not designed to provide work for the unemployed; this was not the major or principal consideration of the act. He said that the provisions of the act could not be used to support a rural economy whose resources could not carry it once the provisions of the act were withdrawn. If we understand the minister correctly, the basis of the act was to assess carefully the entire resources of an area and develop those regions wherein it was felt the resources could provide opportunities for the people to increase their potential and improve their standard of living. I think in the main this is what has been done.

I had intended to ask the minister what progress has been made in the interlake area of Manitoba, the Gaspé peninsula and northern New Brunswick, because these were the areas he designated in particular when introducing the bill. The information he provided in *Hansard* at that time gave no reason for mistaking the intentions of the measure. There was no reason for misinterpreting what the minister said on that occasion. He stated that these were areas in which something should certainly be done to improve the average income picture.

It seems that this act and the accompanying ARDA program are being used in a way which means that ARDA provides the funds for the exploratory, information gathering services that are so necessary before any comprehensive program can be undertaken. The minister indicated today that there are now other areas in Canada where initial investigations are taking place, and no doubt programs will be carefully worked out for these areas which will then approach the government for more funds.

We are not going to oppose the passage of this resolution calling for an increase in the fund from $50 million to $300 million. It is not a normal procedure after the introduction of a bill in this house to come back within a year and request an increase in the fund of almost 600 per cent. That is the increase requested in the amount of money to be available. However, in view of the information given by the minister today and in view of the fears we expressed on the introduction of the bill, we feel that the increase is justified. Although $300 million is a tremendous amount of money, when we take into account the fact that it will be devoted to improving agriculture across Canada and realize how costly some of these projects must be if they are to improve the economy of a particular region, the fund is not excessive.

In his explanation today the minister placed a great deal of emphasis on the retraining and education being undertaken in these areas by the provinces. The very low educational standards in these regions is no reflection on the people there. The fact that they have these low standards is due to circumstances which have been forced upon them. We see this measure as the first step to bringing these areas out of their economic stagnation. We believe there is real hope in this program because with the facilities available today in the fields of science and applied technology we can do much to help these regions. In view of the fact that the government is taking the initiative at the federal-provincial level to make available these very essential tools to the people of these regions, we believe that at long last they have the opportunity to face the future with a great deal of hope.

We on this side of the house are not going to elaborate on this resolution because the act, as was indicated by the minister, was passed just last June and most of the arguments we put forth at that time still hold good as far as we are concerned. This is a new measure; it has just become active and a good deal of time will elapse before we are able to assess fairly and honestly how effective it has been. The only question that remains in my mind is where actual responsibility under the act ends and responsibility under ARDA comes into play. When we speak of an expenditure of $60 million or $80 million in one province under a single plan we certainly wonder whether a great deal of this work could not have been undertaken under ARDA. However, the minister will have an opportunity during the committee stage on the bill to elaborate on his explanation in this regard. That being so, I am prepared to allow the resolution to pass.

Mr. Herridge: First of all, Mr. Chairman, I must apologize to the minister for not being in

the chamber when he read his statement. I was summoned to answer a long distance telephone call. I appreciate the minister handing me his notes when I returned to the chamber and I read then while the previous speaker was giving his opinion of this resolution. We supported the principle of the legislation when it was before the house some time ago and we support the principle of the resolution in increasing the fund to $300 million. I have been very keen on this type of development. I have followed the progress of ARDA with a great deal of interest and I am sure we will all follow the developments that will take place under this legislation.

• (5:20 p.m.)

The minister said that the approach was novel and significant in that it called for the joint development and implementation of comprehensive and co-ordinated programs for regions of acute rural poverty, to raise substantially the standards of living of the residents of these areas as well as the economic and social opportunities open to them. I think this is an excellent objective to which we can all say "amen." However, I believe we should gather facts concerning what is required in various regions in Canada. This will require an inventory of land and local circumstances with particular relation, as I understand the legislation, to local communities rather than to regions as a whole. It will require a survey of the needs that have to be met across the whole country.

I want to stress the fact that in my experience as a stock rancher over a long period of years I have always found that the success of such enterprises depends on the co-operation of the local organizations and local people. It is not a question of someone coming in and laying down a plan for them to accept. As I see it, this type of legislation will be most successful if every effort is made to co-operate with the local community organizations, with the persons who are interested in this type of problem and with those who will be directly affected by this legislation.

I could go back over a long period of years and relate my experiences in this connection. I remember a program being undertaken some 55 years ago strictly on a community basis. Democracy flourishes best in the small communities and that was particularly true in the pioneer era. I well remember the people gathering together to build by their own efforts the necessary domestic irrigation system required in the district. Many different people composed this group, people with titles, men retired from the British army or navy or the Indian army, people from eastern Canada who came to settle in our district some 60 years ago, as well as a few people who had been sent there from Dr. Barnardo's home for waifs and strays. They all made very good citizens when they had an opportunity to settle on decent land which was made productive by the use of the irrigation system.

I remember that on that occasion we were wondering what we were going to do. I mention this incident because in my opinion participation of the local communities is of great importance. We got the more or less better-off English people to donate cash. We collected some $1,500 to purchase pipe for this irrigation system. Those who did not have cash paid for their share by their labour. As a result we developed this irrigation system in co-operation with the officials of the department of agriculture of the provincial government of that time who were very keen on it. They gave us every assistance they could, having more knowledge of the district than many of us. The irrigation system brought a supply of water to the farmers for $1 a month. The price has gone up a bit since then. It was a most successful enterprise. Today that system is valued at some $350,000.

I mention that to indicate the necessity of getting the co-operation of local people in the administration of ARDA or other similar programs. I presume that this legislation provides for the retraining of people and in certain cases their resettlement if required. However, I do stress to the minister, in view of the trend in our society today, that everything possible be done to get as many people as possible who can earn a reasonable living to stay on the land. Higher pay is not everything. After the war many sons of farmers went to work in industry when they came back from overseas. Now I find there is a trend for them to come back to the farms. They have realized that big pay is not everything. Some of them have bought sizeable farms and some have bought smaller farms for fruit growing purposes because they have realized that the compensations of rural life and farming cannot be measured in dollars and cents. Others have shown interest in establishing small secondary industries. There is quite an interest in doing that among my constituents.

I am not suggesting that my constituency is an area of acute rural poverty because we

have some large mining, smelting and lumbering industries. However, there is a place for this type of legislation in the light of all the facts. As I mentioned the other day, owing to the clearing which is going on now as a result of the development of the Columbia river project large amounts of excellent timber are being destroyed and burned. Some of the largest birch trees in Canada grow in southeastern British Columbia and they are being destroyed at the present time. I took this matter up with four firms in Ontario to see whether I could not persuade them to start a small furniture factory.

Other people in the small communities in my constituency are interested in the development of recreational resources, while still others are interested in the development of hot springs. I might bring to the attention of the minister the fact that here are six hot springs in my constituency and only one is actually being developed. There is opportunity for the development of small secondary industries. I might also mention the opportunities which exist in the development of industries catering to the increasing number of tourists that are coming each year to the Garden of Eden in Kootenay West. I am not suggesting that this is something that can be done overnight. The first thing is to get the facts and the information and the second thing is to get the co-operation and participation of the local people, whether it be a municipality, a village community, a farmers' organization, a chamber of commerce or other organizations. If co-operation between the federal and provincial governments and the local people is carried out successfully, then I am quite sure that this legislation will be of benefit in raising the standards of the Canadian people in rural areas.

[*Translation*]

Mr. Laprise: Mr. Chairman, having heard the two previous speakers, I feel that the minister will have the present motion accepted without difficulty. As a matter of fact, he acknowledged the importance of the studies and developments which must be undertaken with respect to the underdeveloped areas, and recognized that the funds available for such surveys and developments must be consistent with the projects to be implemented.

I agree with the increase provided for in this resolution and I believe that it will help us to achieve tremendous improvements in our rural areas, which are greatly in need of planning and surveys in order to be efficiently developed. I happen to live in one of those areas, namely Abitibi, where considerable sums are required for the development of the immense natural resources of all kinds.

In a speech delivered to the two economic councils of the lower St. Lawrence region on October 23 last, the minister made the following statement:

> The purpose of this program is to help the people living in rural areas adjust to the rapidly changing economic situation, whether it be in agriculture or in other rural industries. The program is also aimed at developing rural resources, with a view to providing increased income and greater employment possibilities for the rural population, through development projects.

I believe this is what the minister meant when he introduced his resolution a few moments ago.

I should like to point out to the minister —he may or may not be already aware of this—that Mr. Michel Sicé, a consulting engineer, recently completed his report on a detailed survey of the Nottoway basin, in the Abitibi area. I have not had the opportunity to read or examine the report myself because it is still in the press, but I have read excerpts which appeared in our Val d'Or and Rouyn newspapers.

These excerpts show that this northwestern Quebec area is extremely rich, that is has been neglected to a considerable extent and that it should have been developed a long time ago.

With regard to agriculture, Mr. Sicé noted that no real study of farming possibilities in this vast area had ever been made since Abitibi was first settled, 50 years ago. In my opinion, it is inconceivable that a whole area should be mapped out for farming settlements, without a survey of farming possibilities having first been undertaken or at least having been carried out during the developmental period.

Therefore, I feel that the directors of the ARDA program should, following experiments in the Gaspé and lower St. Lawrence region, apply the knowledge gained from these studies and experiments and conduct similar surveys in the Abitibi region, so as to bring about the necessary development and improvement as regards agriculture.

With respect to forestry, the Sicé report states that the area can support at least four pulp mills with an annual consumption of 300,000 cords of wood. Therefore, there are

great possibilities in the pulp and paper industry. The report also adds that there is enough wood to supply 135 sawmills cutting one million board feet per year.

• (5:30 p.m.)

Supposing that a sawmill with a capacity of only one million board feet a year might not be profitable and supposing that the 135 sawmills were to be reduced by half to increase the capacity of each, there again it is realized there are untapped resources, which, if they were developed, would help considerably in finding jobs for local manpower, particularly seasonal workers.

In the mining area, the same report notes that 1,022 mining companies are operating or holding mining claims. Once again, Mr. Chairman, this means that the vast region of Abitibi is teeming with enormous resources of all kinds, of minerals that might be needed. It is a known fact that the government of the province of Quebec is currently surveying the James Bay area hydroelectric possibilities in view of the future or possibly even the early construction of a dam the potential of which might be greater than that of the Manicouagan or even the celebrated Churchill Falls, in Labrador.

This means, Mr. Chairman, that we have everything required to give jobs to the workers of the area. In fact, a large number of people might even be imported to populate this immense area. Obviously, Mr. Chairman, to bring this vast region within reach of the industrialists, the businessmen, access roads are naturally required to open up the area and to assess its wealth.

Now, I would ask the minister to concern himself with a matter not necessarily connected with ARDA, that is, to proceed with the roads to resources program, which has already proved highly successful. I urge him to pursue that development and to consult with the Quebec minister in charge of this program in order to extend as soon as possible the access roads to those vast areas.

Since I feel the resolution before us deserves our full attention, I therefore endorse it.

[*English*]

Mr. Olson: The resolution before the committee, Mr. Chairman, standing in the name of the Minister of Forestry and Rural Development asks the house to approve the introduction of a bill to increase the fund for rural economic development sixfold from $50 million to $300 million. I suppose members ought to take advantage of this opportunity to review the work that has been undertaken under ARDA and perhaps discuss these projects with the minister to ascertain whether or not they have been useful. Furthermore, we could ascertain whether or not the accomplishments under ARDA have been anything like the accomplishments anticipated when that legislation was brought into being. I am not going to do that because the many projects that have been undertaken in co-operation with the provinces have not yet reached the stage where we can make a useful assessment of them. I should say to the minister, however, that I agree there have been a number of useful programs undertaken even at this date. I would have to say that what has come about has certainly not been in line with the expectations of the people with respect to this program, particularly when one reviews the tremendous amount of publicity given to the program across the country when it was launched several years ago. I do not believe it would be fair to try to attach all the blame for the shortfall to this particular minister. However, as I said, we should probably look at these projects.

One of the criticisms I have of the ARDA program to date is that there have been far too many surveys and studies and an insufficient amount of action. However, bearing in mind that $50 million was available for all ten provinces, perhaps this was a first step and all the money the minister felt he was authorized to expend on behalf of the federal government. I know that the federal government has not been limited by the amount of $50 million because there is one project under way, I understand, that is going to cost an aggregate of $41 million. If one adds this amount to the cost of other projects agreed to by the various provincial and federal ARDA committees, then of course the total far exceeds $50 million.

I know that all this money has not been spent at the moment. Certainly the total would be over $50 million if we had to pay now for all the projects that have been agreed upon to date. Perhaps, therefore, there is some validity in the position that we should in the first instance make surveys and studies to find out what we are going to do. What disturbs me about all these studies and surveys is this. I am not attaching blame to the minister for this; it is probably the fault of the provincial or even local ARDA committees just as much as the fault of the minister. However, it seems to me that if you do not know what to do about a certain matter or

how to go about it you make a study of the situation.

• (5:40 p.m.)

The fact remains that there is a problem of rural poverty which in some cases is staring the minister, the provincial ministers and the ARDA committees right in the face. When there is need for immediate action what we do is to launch a study or a survey and it is months and sometimes years before we are able to take effective action.

The only criticism that I make of the minister is that probably he should resist acquiescing in the making of a survey or study of a situation where it is completely obvious there is need for immediate action. I hope we are going to be a little more bold, imaginative and active in setting up programs to deal with immediate problems facing us, rather than relegating them to the subject matter of a study or survey, knowing very well it will be months and in some cases years before we can take action. This is particularly useless in cases where there is immediate need to resolve the problem.

I am not going to say much more, but I do know that in my own constituency at the present time there is need to do something to assist Indians who want to come to that part of Canada to take advantage of the job opportunities that exist there. There is great need for manpower in southern Alberta, and some of the Indians from northern Alberta and Saskatchewan have shown the capability of filling jobs available there. The farmers want them and the Indians want to go there. The farmers also pay good wages.

Mr. Barnett: Are these the sugar beet workers?

Mr. Olson: Some of them are sugar beet workers but they do all the other work which needs to be done in the agricultural sector, as well as filling industrial jobs. I admit that not all these Indians are satisfactory workers at the outset but certainly a very high percentage of them are.

Unfortunately there are social problems involved such as lack of housing and recreation. There is no problem as far as jobs which pay reasonably well are concerned, but because of the lack of housing and recreational facilities, places where these Indians can gather in the evenings when off work, social problems are created which need to be resolved.

I hope that the officials of the Department of Agriculture, the Department of Indian Affairs and Northern Development and ARDA will get together and provide the capital funds required to build the kind of housing units which will be satisfactory for these seasonal workers. In one town near my constituency this scheme was tried last year and it worked, but the farmers had to undertake to provide these accommodations themselves. The Indian workers all lived in a small community—I think there was only a few families. The farmers had to undertake to provide the housing, to look after the accommodation, to provide some recreational facilities and so on, as well as make sure there was a group of Indians in charge and that there was some kind of social responsibility and discipline in that small community. This was tried and it worked. The farmers and the Indians, I am told, are happy with it.

But this involved only 10 or 12 families. About 3,000 of these people are required every year and there are job opportunities for them from May right through to the end of September. My information is that if these very same people do not take advantage of these job opportunities they are committed to living on welfare all through the year. It seems to me it would be a far more satisfactory situation for the people involved if something along this line was done.

At the present time there is a movement under way on the part of the farmers who have already subscribed several thousand dollars to bring the local community into the whole project. My information is that the farmers were asked to make some contribution to a camp which would provide the kind of housing that was suitable for the Indians, and the response was terrific. We are now waiting for the provincial and federal governments to come along and make their contribution. I understand that the need is somewhere in the neighbourhood of $160,000. The farmers have put up a substantial share of that already but they want some co-operation from the two senior levels of government so they can proceed further with the project. They do not want the accommodation to be substandard or low-grade. These people will be required in this area not only this year but for a long while into the future. As I said, Mr. Chairman, this is a development that could be very useful to these Indian people as well as to the farmers. People who do not have a job will benefit and it also enhances the productive capacity of the irrigated acres of southern Alberta.

I do not know whether a request for funds will come to the minister but I am sure a request will be made to the government, whether through the department of Indian affairs or C.M.H.C. I hope there will not be any resistance to this proposal because I think it would be a very useful service to the Indian people who come to this area from time to time. I have had some complaints from time to time from the local municipalities concerning Indians who are loitering on the streets and visiting beer parlours and various other places in the evening. If there is no other place for them to go, Mr. Chairman, where can one expect to be? That is the problem.

I think these housing unit developments require a recreational area and need to be administered, at least in part, by leaders selected from the Indian communities or the working groups themselves. As I said, this plan worked well last year as a very small pilot project and I hope it will be continued in the future so that both parties involved will be able to reap the benefits that are apparent.

I am not going to go on any longer. I hope the minister will take into account the few criticisms I have made, knowing full well I am not making them of him directly. But there are some shortcomings compared with what could be done and with what I suggest was anticipated under the ARDA program. If agreeing to increase greatly the amount of money made available by the house to the government brings to fruition some of these projects and plans to which reference has been made, and which I am convinced will be beneficial, then we in this party are prepared to support this resolution.

• (5:50 p.m.)

Mr. Nasserden: Mr. Chairman, the resolution before us is important and deals with one segment of activity by the federal government which is most commendable. I wish to touch on several aspects of the situation and in doing so I should like to go somewhat farther than the hon. member who has just resumed his seat in regard to the native population of our country.

Before making my comments I want to say something about my province, Saskatchewan, which at the present time is undergoing a more rapid change than any other part of Canada. I refer to the transition from a rural to an urban economy, and to the development of the South Saskatchewan River dam, renamed by the present government as the Gardiner dam. It will have an appreciable effect on the industrial capacity of our province and on employment.

May I deal now with the situation in our northern areas where our native Indian people are suffering from various degrees of poverty regardless of the grants made to them individually or collectively by the Department of Indian Affairs and Northern Development. I wish to reinforce the argument of the New Democratic Party member who spoke of the need to bring the people into the program sought to be undertaken so they may participate personally. The hon. member's remarks apply particularly to the native population of our country. When I think of the various resources in my constituency and in nearby constituencies in Saskatchewan I think of the need to train and retrain people. This applies not only to the young but also to those in the older age groups. Training and retraining will enable such people to take a more active part in the producing capacity of our nation. Many of these people have skills of one kind or another and perhaps through the ARDA program they might develop these skills and produce things, thereby being able to live a better life than they live now. That should be possible without having to disrupt the way of life these people have chosen.

When one considers northern Saskatchewan, the frontier limits of our province, one immediately thinks of the wealth of tourist and recreational facilities and resources of the area. Nevertheless people there today are unemployed and are suffering greatly from poverty. These are the people who ought to be fitted into the development program. They have a place in this kind of development. I hope that the ARDA program in Saskatchewan and across Canada can give all such people their rightful place in our economic and social life. They ought to be brought into the program in such a way that other Canadians will have a renewed appreciation of the part that all can play. If that is done it will be good.

The Gardiner dam and the Saskatchewan potash industry might affect thousands of people who have left farms and are now living in Saskatoon or Regina on limited incomes. I believe there is an opportunity here for the development of secondary industry. I ask the minister not to forget these people and the native people in the northern part of the province when considering the various

programs to be brought forward under this government activity.

I am sorry that the Minister of Agriculture and his parliamentary secretary are not here to share in the discussion. They must be interested in rural redevelopment programs. That they are not here shows one of the weaknesses of the present allocation of duties to various ministers. I do not detract from the present minister when I say that. This is one of the facts of life. Perhaps this subject is small enough for one minister to handle but all the same it would have been nice to see the Minister of Agriculture and his parliamentary secretary sharing in the discussion.

I agree entirely that we must take an inventory of what we have before embarking on a program. In a province such as Saskatchewan, where the trend is toward larger operations and where the cost-price squeeze is affecting agriculture, our primary industry, the need for this program will become more evident not only in the immediate future but in subsequent years.

In conclusion I wish to emphasize again to the minister and the government the need to remember our Indian people when considering this program. The Department of Indian Affairs and Northern Development has spent much money but when one looks at many reserves across Canada one wonders what has been achieved. Perhaps the ARDA program can restore, to the original people of this country the pride of achievement and tradition that they should be able to have in this nation.

Mr. Barnett: Mr. Chairman, I wish to say a few words on this resolution. The impression I have is that so far the province of British Columbia has not been one of the places where the program now being discussed has developed on a large scale. That may be partially explainable by our geography. Our area is perhaps more interesting to the minister in his capacity as minister of forestry. There is one matter in the category of things to which the hon. member for Medicine Hat referred which I should like to put before the minister. It has to do with what I believe may be a possible joint development under ARDA and the federal Department of Fisheries.

As I understand it, under the ARDA agreements the basic initiative normally has to come to some extent from local or provincial authorities. I believe that along the eastern coastal plain of Vancouver Island small scale ARDA projects could be developed in conjunction or in co-operation with the federal Department of Fisheries in order to reclaim and develop our rather limited acreage of agricultural land. At the same time we might improve salmon spawning channels in smaller streams which in the past have been quite important but which have lost importance through the encroachment of sentiment. I have raised this matter with the Minister of Fisheries and I understand from him that there is nothing in principle to prevent co-operative arrangements between the federal Department of Fisheries and the ARDA administration for the development of projects.

• (6:00 p.m.)

I am rising at this time to make a specific suggestion and to request the minister to have his officials take a specific initiative with the Department of Fisheries in providing a background of factual assessment as to what the possibilities may be. My request concerns particularly the eastern side of Vancouver Island. I suggest that an investigation might include the Cowichan River valley, and moving up north into my own area I would specifically mention the Tsolum and Puntledge River areas. Farther north there is a creek known as Black Creek, and I might say that at one time I had discussions with fishery officials with a view to having steps taken to eliminate some of the loss of young spawning salmon which often takes place there because of flood conditions in the spring. According to the local people good agricultural land could be developed through a proper drainage program, but at the time I was told by the Department of Fisheries that the economic benefit from salmon stream improvement would not warrant the cost it would have to meet to provide stream flow control. However, I believe that a properly combined scheme would rescue a relatively small but quite good agricultural area from its present rather marginal situation and at the same time make a valuable contribution to our salmon fishery resource.

I realize that such a program would have to be the subject of investigation and evaluation. I hope the minister will take steps to have that kind of evaluation provided for him by the Department of Fisheries. If this were done the relevant information and a forecast of economic possibilities related to such a development could be passed on to the provincial authorities. With such encouragement and interest on the part of the federal Department of Fisheries the provincial authorities might then be prepared to take a really active look at the possibilities of such projects

within the limit of the ARDA program itself and the agreements made between the federal and provincial authorities.

Mr. Stefanson: Mr. Chairman, I am in full accord with the purpose of the resolution to increase the fund for rural economic development from $50 million to $300 million. As has been pointed out, when the original legislation was passed we on this side of the house felt the fund was not sufficient. I have always believed that this legislation should have been introduced as an amendment to ARDA as both acts deal with the same types of projects, but I do congratulate the minister for introducing this resolution to increase the fund and for his enthusiasm for ARDA itself. The minister from whom he took over was not so enthusiastic about ARDA and it was during that minister's period of responsibility that things seemed to slow down. However, I know the present minister is very interested in ARDA developments.

The minister is quite familiar with the interlake area. He has visited it on at least two occasions. Last year he attended a successful conference of provincial and municipal officials at Teulon. I hope this legislation will be broad enough to cover a wide variety of projects. As the minister has mentioned, the province of Manitoba has submitted a comprehensive program for the interlake area. He and his colleagues are now studying it. I hope it will not be long before they are able to approve it and sign the appropriate covering agreement.

I believe the minister mentioned that the cost of the over-all project would be somewhere in the neighbourhood of $65 million or $70 million and that possibly $25 million would be made available from the federal fund. We are very happy about this and we hope that education and retraining will be included in the project. Many development committees have been working in the interlake area and have done a great deal of work. Nearly all of them have mentioned education and retraining as the No. 1 priority. Sometimes the interlake area has been referred to as a depressed region. I have never felt that it is. In my opinion it is an underdeveloped area. It has great potential, and with co-operation between the federal and provincial authorities I believe the area will move forward and provide a higher standard of living for the people living there.

Some hon. members have mentioned the native population. So far as I know representatives of the native population in the interlake area have served on a number of the area's development committees, and I am sure consideration is being given to their problems.

Last year Lake Winnipeg was at an all-time high level, which created many new problems. I am hoping that under the proposed agreement something can be done to solve some of those problems. The area is different from many others. It contains many miles of beaches and we certainly must develop more recreational facilities. There are many opportunities in the area for that type of development and we shall have to provide such facilities for both winter and summer. At present there is a pattern whereby people earning average incomes or above average are acquiring second homes. These used to be known as summer homes but now more and more of their owners are using them in wintertime. Therefore we have to think along the lines of developing recreational facilities for wintertime.

I may have one or two questions to ask at a later stage but at the moment I am pleased that the minister has announced that the agreement with the province of Manitoba covering the interlake area will soon be ready for signing. The only complaint I have received from people serving on the local development committees is that they have been discouraged by the length of time it has already taken to get things going. I know that many extensive surveys have been carried on in the interlake area which no doubt were necessary in order to obtain the required information. I and everybody in the area will be happy when the agreement is signed and the actual projects are undertaken.

• (6:10 p.m.)

Mr. Winkler: Mr. Chairman, if I may I should like to make a few brief observations with regard to the resolution before us. I accept the invitation to speak from my hon. friends directly across from me. The minister referred to the areas of eastern Canada which will be considered under the legislation. I long have felt, when the government of Canada is willing to spend such amounts of money as will be available under this legislation, that a hydraulic study of the St. Lawrence waterway would be a very valuable project to undertake. As I understand it, some persons who are knowledgeable in the field of hydraulics believe that the change in the flow of the St. Lawrence, which has had an effect

on man-made structures along the waterway, has also had a very undesirable effect on the fertility of the maritime provinces. They believe that the character of the area and its ability to produce have been changed in that the climate has changed from what might be referred to as a maritime climate to a continental climate.

I understand that it would not take a tremendous amount of money to solve this and other problems which are not necessarily related to the field of agriculture. Because this matter is so important and because I am sure the minister is interested in that area of Canada I hope that he will take this matter to heart and do something practical about it. I know that in the past there have been very divergent views among the engineers in the various departments of government concerning the St. Lawrence waterway and therefore the good results which this waterway could produce for the maritimes have not been forthcoming. I wished to make this point.

I should also like to say that I think there is a relevancy between what the minister is endeavouring to do and what the Minister of Industry has done in respect of the designated area program for Canada. I believe that diversification of industry to a degree in some of the rural areas would be as advantageous as it is in some of the places the minister has in mind. This would help retain the local population who otherwise would have to go to the urban centres in order to find jobs and earn a livelihood. I should like to impress this point on the minister and ask him to consider having a study made in this regard. I believe that if this matter were considered, having in mind the goals and the money to be spent, this would bring about a valuable result.

In speaking for the people whom I have the privilege to represent I might say I am sure that if this were done in the rural areas of Bruce county, Grey county and some of the other areas close by, the minister would not have to be interested in these areas from an agricultural point of view. The Minister of Industry has been very dogmatic in his position when I have requested that he include some of these fringe areas in the coverage of the designated area provisions. I hope that the minister in the implementation of this legislation will consider the points I have raised.

[*Translation*]

Mr. Ricard: Mr. Chairman, I should like to take a few minutes of the time of the house to tell the minister that I am sorry I was not here when he made his comments, and above all to give him the encouragement which he deserves.

In the measure now before us, the minister certainly took the necessary steps to do the task assigned to him. If I am not mistaken, this bill is partly based upon and constitutes a continuation of ARDA. We also know that the minister spent a lot of time and energy to see that ARDA would give a part of the population, and particularly the unemployed and the most needy, the help they need.

The minister will undoubtedly have an opportunity while doing some interesting work to make a name for himself since he will be spreading a little prosperity in all the regions which need it.

I am sure that the Quebec minister of agriculture understands the problem very well and that, like the Minister of Forestry and Rural Development (Mr. Sauvé), he wants very much to help the rural people.

Everyone knows that the rural sector plays a very important role in our country's economy; in fact, I think that no economic progress can be achieved if it is ignored. There are so many sectors in the rural economy, namely agriculture, fisheries and forestry. In my opinion, to overlook those various branches would risk jeopardizing any work undertaken by the minister in those different fields.

I know that the minister is determined to succeed and is sparing no effort to obtain good results. I want to assure him that we, on this side of the house, are keeping an eye on his activities, not for the purpose of criticizing him, but because we look favourably on him and want him to accomplish even more. Knowing the feelings of all members, I am sure that if we co-ordinate our efforts, we shall surely be successful.

I take this opportunity to call his attention to a problem of capital importance, that is the problem of fresh water, of drinking water in the province of Quebec as well as in the other parts of the country. This is one of the great resources we have and we are wasting it without due consideration. I would even suggest that we are consuming our fresh water too freely, and unless measures are taken, sooner or later, we are bound to regret the excessive and inconsiderate use of the fresh water we have.

If my information is right, I believe the province of Quebec controls nearly one fifth of the fresh water supply of the globe. This, of course, means that we are in a favoured

position and that we should take care of this resource, so as not to pollute the waters of our lakes and rivers to the detriment of our population.

I know that the minister will wish to pay some attention to that natural resource and, as far as we are concerned, he can be assured of our full co-operation.

• (6:20 p.m.)

[*English*]

Mr. Thomas (Middlesex West): Mr. Chairman, I should like to commend the minister for asking the house to provide additional funds to further the implementation of the ARDA program. In the past I have stressed the desirability of using this program to improve agricultural lands on Indian reservations. In southwestern Ontario there are several reservations which contain some of the finest land in that area. These lands could be made very productive to the great benefit of the residents and the economy of the country if modern agricultural techniques were employed. Such techniques cannot be employed without first providing drainage for the lands. If these lands can be drained and proper fertilization effected they would be more productive than any other land in the area. When these additional funds are made available I hope the minister will not lose sight of the requirements in respect of agricultural lands located within these Indian reservations.

[*Translation*]

Mr. Clermont: Mr. Chairman, at the resolution stage, I should like to call the attention of the minister responsible for ARDA to the desirability of introducing a measure to increase the amounts available to develop special regions. About this special program, referring to the catalogue of ARDA projects, I note that western Quebec, which includes the constituencies of Pontiac, Gatineau, Hull and Papineau and the provincial county of Labelle, seems to have been overlooked. I do not want to blame the minister responsible for this program, for I know that the initiative must come from the province under the act passed in 1961.

I also note, sir, that under that act the federal government may take certain initiatives in the field of research and studies.

Last year, in 1966, the four ridings located in western Quebec formed an economic council. Very recently, the county of Labelle also established an economic council.

Among other undertakings, under ARDA it contains provision for an inventory of information and data regarding a comprehensive development program for the area; pilot studies in the western part of Quebec, with a view to working out a development program for outdoor recreation; of rational utilization of forest and agricultural resources, along with the setting up of a series of provincial camp sites in the western part of Quebec.

So far, Mr. Chairman, according to the information I have received, only two projects have been implemented in that area since the beginning of the ARDA program, in 1962; one of these is the Rouge valley survey. Here are some of the recommendations contained in this 2,000 page report: an 850-acre community pasture for sheep raising purposes in Marchand district; planting of 25 million trees over a 25,000 acre area, at an approximate cost of $1,300,000; construction of a 38-mile highway between Saint-Sauveur-des-Monts and Saint-Rémi d'Amherst; a tourist centre for Saint-Rémi d'Amherst; a tourist trail in the Laurentians; setting up of a series of camp sites; establishment of a fish hatchery station; construction of a technical and vocational training centre for retraining rural workers.

Mr. Chairman, I need not urge the necessity of taking action on the minister responsible for this program, for he is aware of the needs of western Quebec and Labelle riding. I am sure that these areas will be included in future undertakings.

[*English*]

Resolution reported and concurred in.

Mr. Sauvé thereupon moved for leave to introduce Bill No. C-274, to amend the Fund for Rural Economic Development Act.

Motion agreed to, bill read the first and second times and the house went into committee thereon, Mr. Batten in the chair.

• (6:30 p.m.)

The Chairman: Order. House in committee of the whole on Bill C-274, to amend the Fund for Rural Economic Development Act.

On clause 1—*Limitation.*

Mr. Sauvé: Mr. Chairman, members of the committee will note that this must be one of the shortest bills ever introduced in this house. In fact, the object is to replace one figure, $50 million, by another figure, $300 million. This will increase the fund for rural economic development from $50 million to

$300 million. It is expected that the total cash payment from the fund in any one fiscal year will not exceed $40 million. The fund will be increased from $50 million to $300 million, but we cannot commit funds for special rural development agreements unless parliament has already voted the necessary amounts.

When the first bill was introduced in the house last spring, I for one and most of the hon. members of this house mentioned that the amount of $50 million was small and we could expect large calls on the fund from the provinces. This has happened, as expected. One of the reasons the fund was limited to $50 million in the first bill was that at that time we did not have any precise figures about the cost of other programs that were to be developed. Since then as I mentioned at the resolution stage, we have proceeded with negotiations, with many of the provinces and we now know we will have to commit $250 million more in the next two years for rural development programs.

Some hon. members have asked, especially the hon. member for Kent (Ont.), why it is that the ARDA agreement is not sufficient to cover these rural development programs. There are many reasons for this, and I will enumerate a few. The first reason is that ARDA applies everywhere in Canada, that is, to any rural areas, while this fund applies only to certain specific regions where there is a concentration of low income families and where the income is usually half, or less than the average income for families across the nation.

The second reason for having this fund rather than an extension of the normal ARDA program is that under the ARDA program the provinces have an annual allotment. The third reason is that under the ARDA program and its agreements the federal government's contribution is limited to 50 per cent of the cost of any project. Under this fund for rural economic development the federal contribution can go up to 100 per cent of the cost of a project. Under the ARDA program we are committed to 5-year programs or projects. Under the fund for rural economic development we can commit the federal government's contribution for 10 years. Those are some of the reasons why we felt—and I explained this to the house—there was a necessity for this fund.

The hon. member for Medicine Hat said that he thought there was too much research and not enough implementation in respect of this program. The catalogue of the programs of the ARDA administration has been distributed to all hon. members of the house and the public in general. This document deals with projects undertaken in 1962-65 and 1965-66. While the hon. member for Medicine Hat was speaking I glanced at the projects that had been accepted by or were being implemented in the province of British Columbia. I do not want to have an argument with the hon. member, but in the province of British Columbia in the years 1963-65, the first term of the ARDA agreement, 35 projects were accepted for a total shareable cost of $3.7 million. If one looks at the list of projects he is surprised at the very limited number of research projects undertaken in the province. They are mostly concerned with the development of marginal land and the maintenance and improvement of agricultural production. There are projects listed to improve storage capacity for a reservoir, the reconstruction of a dam to increase productivity, to improve soils, and so on and so forth. There are listed very few research projects, at least in that province. If I look at the same document for the year 1965-66 I am amazed to see the extraordinary expansion in British Columbia. Shareable cost programs in British Columbia have increased in one year to $9.4 million, while in the first three years we committed only $3.7 million. So in that province, as in all other provinces, the ARDA program is picking up.

I will undertake to have the ARDA administration prepare for hon. members of the house and the general public an account of all the projects, by categories that is, soil, water conservation, research, rural development and so on so that hon. members will be able to judge for themselves exactly what has been done under this program. As hon. members know, the ARDA catalogue gives the description of each of the projects, but it does not classify them under various headings for the provinces. I think such a classification would be very useful. In this respect a good suggestion was made earlier. It would be useful because many people in this country are under the impression, and some people outside the house have made speeches to this effect, that ARDA is too much of a research program, and I think such a list would tend to prove that we have committed and spent very large sums of money on concrete projects, and not only on research. I do not think we have so far committed more than 10 per cent of our total funds on research; 90 per cent has been committed and the amount spent on various projects.

Some hon. members have talked about the native people and their involvement in this program. When we adopted the amendment to ARDA last spring I mentioned that for the first time under the new agreement, which will cover the period April 1, 1965, to March 31, 1970, the provinces, under article 11, may apply ARDA programs to Indian lands and Indian people. This was an innovation. I am pleased to report that some provinces have already embarked upon projects under which the native people are benefiting from the ARDA program.

• (6:40 p.m.)

We would be pleased if we could secure the appointment of a metis or an Indian to direct the program in the interlake region. I share some of the views of the hon. member for Selkirk regarding the involvement of the metis people. We will start recruiting people for the program in the interlake region as soon as we have signed the agreement with the province of Manitoba. As hon. members know, a federal director and a provincial director will be appointed, and if, with the help of the Civil Service Commission, we can secure the services of a metis or an Indian, we would be well satisfied because I understand that about one third of the population in the interlake region is of metis or Indian origin. We want the local people to be involved in the program. This has been so in all the regions where we are now implementing rural development programs. The program is complex but we have been satisfied with the results so far.

[*Translation*]

The hon. member for Labelle (Mr. Clermont) just remarked that the approval of projects rests upon the provinces. Therefore in the case of the valley of the Rouge river and of other areas, in Quebec as well as in other provinces, we must await provincial proposals.

There is a tendency to believe that the province is not willing to approve or to carry out such or such program. It is not only a matter of willingness; it is a financial matter. It happens very often that the province—I do not refer specifically to the province of Quebec because that applies to all Canadian provinces—having allocated or decided to allocate a certain amount for the ARDA program, is forced, because of the great number of projects submitted, to put off the execution of certain projects it wished to submit to federal authorities. I know that in the valley of the Rouge river, for instance, the minister of tourism is extremely concerned with the development of tourism in that area of the province of Quebec.

On the whole, Mr. Chairman, I think that hon. members agree on the necessity to increase this fund from $50 to $300 million. I also think that the work we have done is going forward at an increasing speed. This work is worthwhile, and while we cannot presume to settle all problems in rural areas covered by the fund for rural economic development, it seems obvious that, within the next five or ten years, when these projects have been implemented as they were designed, the people living in these rural areas will be better off. In fact, there is every reason to believe that through the co-operation of the federal and provincial governments, we will have brought a valuable contribution to this war on poverty about which we have been talking for so long.

[*English*]

Mr. McCleave: Mr. Chairman, I think all of us on this side of the house share the minister's enthusiasm for the bill before us. I will not dwell too much on its purposes, but I think it should be pointed out that the minister has accomplished a feat which is somewhat rare in parliamentary history. The accomplishment lies in the fact that on June 21 the house passed the Fund for Rural Economic Development Act, and in the same session we are presented with amendments to that act. There are probably reasons for this, one of which may be that it looks now as if this session will never end, and undoubtedly the second reason is the fact that the provincial governments, with whom cost sharing arrangements and agreements have to be worked out, have had the advantage of completing one, perhaps two, sessions of their legislatures since the act was originally introduced.

May I also say by way of some criticism that it would appear that somebody had not quite done the necessary homework because the original sum of $50 million has now been succeeded by one of $300 million. At one time it used to be great fun for Conservative and other non Liberal campaigners to quote or misquote the late Right Hon. C. D. Howe's remark "What's a million?"

However, here the minister has, in a very quiet way and in a very small house—one more member was present in the national defence committee than here, in this much larger chamber—succeeded in outdoing the late Mr. Howe's pronouncement of the day.

I think perhaps it could be pointed out that at one time parliamentary practice did not allow us to amend a bill that had been passed in the same session, the amendment had to wait for another session. However, this short-sighted government may thank heaven that the Interpretation Act permits the procedure we are following this evening. I would like to compliment the minister on the positive purposes of the act. Although I do not want to throw any cold water in his direction I think he will be very pleased to know that he is one of the very few people in this chamber who is making parliamentary history by following the procedure which we have now adopted.

Mr. Herridge: Mr. Chairman, I listened with interest to the remarks of the previous speaker. All I want to say in that connection is that, according to our experience since the bill was passed in the first instance, the minister was quite right in raising by $250 million the amount that can be provided for this program. I want to thank the minister for his explanation of the program, to date, and on the procedure in its development.

I think the hon. member for Medicine Hat showed himself to be less well informed than he usually is on these questions when he complained about the amount of research, because I think it is well in balance with the purpose of the program. However, I would like the minister to explain to the house what procedures will be used in the development of this program. Could he tell us for instance what approach will be taken with regard to the provincial governments, to the communities and to the farmers organizations? I mention this because I have one criticism to make of the minister's department, so far as the district which I have the honour to represent is concerned. I am referring to the taking of land inventory under ARDA. The gentlemen who did this work stole in silently during the night, as it were, and proceeded to do their work under cover, so that information was difficult to obtain even from the local newspapers. People were even writing to me and asking me what these people were doing in the district.

I suggest that the program is of such great value that every effort should be made to inform local people of what is being undertaken, whether it is a land inventory or some research in connection with the development of a certain project under this act. The only failure I can mention in connection with these programs, to date, is the failure of the officials of the department to take advantage of the publicity in connection with the work they undertake in any particular area or region. I believe that the local people usually co-operate once they understand what is being undertaken. I found in the instance that I mentioned that people were mystified as to what was going on. I actually asked the minister on one occasion, on the strength of a number of inquiries from various persons and organizations, what a land inventory meant and under what branch of the government it was being undertaken.

• (6:50 p.m.)

This is the only criticism I have to make with respect to the administration of the ARDA program. I want to make one other suggestion. It might be a good idea when the minister's officials visit the district to address the chamber of commerce, not on government policy but on the administration of this act, or to address farmers' organizations or women's organizations—which I am sure they would be very pleased to do if they saw the women in my constituency. This would result in getting as much information as possible about the application of this act to the people it is intended to serve.

Mr. Winkler: I should like to ask the minister if he would make some reference to the brief contribution I made about the effects of the climatic changes, particularly in the Gaspé area, as a result of the hydraulic changes in the St. Lawrence. Has there been any thinking in his department in this regard?

Mr. Sauvé: I have taken note of the remarks made by the hon. member for Grey-Bruce, but I could not decide if this subject came under the authority of the ARDA administration or the authority of the Department of Energy, Mines and Resources under the Canada Water Conservation Assistance Act. For this reason, I did not refer specifically to his remarks, as I desire to consult with officials and then perhaps write to the hon. member to give him the information.

Mr. Winkler: That is fine.

Mr. Sauvé: In so far as the remarks made by the hon. member for Kootenay West are concerned, I must say that so far the ARDA administration has been very discreet about publicizing its activities or the results of its work. We intend, in the coming fiscal year, to embark on a program of information to all the people of Canada, telling them what we

are doing, either under the Canada land inventory, the ARDA administration or the fund for rural economic development. As you know, there is in existence the Canadian Council for Rural Development in which all the major organizations are represented and through which continuous contact is established with these organizations. This council is about to present its annual report to parliament and make its comments on the ARDA administration.

Mr. Enns: The minister referred to the fact that there was some delay in coming to an agreement with the provinces because there had been no regional directors appointed. Was I correct in that understanding?

Mr. Sauvé: No, I did not say that at all. Where an agreement is signed between the province and the federal government for a special rural development region, as in the interlake region, we would appoint a federal director for administrative purposes and the provinces would do the same for their share of the program.

Mr. Enns: This, I take it, is not what is holding up the signing of the agreement in the interlake area?

Mr. Sauvé: No, there are many problems in the interlake region. The federal and provincial authorities have been negotiating an agreement, which is being reviewed now by a committee of officials at the federal-provincial level. I hope that in the next four to six weeks we would be ready to proceed with the final document at both levels, the provincial and federal cabinets. This agreement has to be authorized by both cabinets, and then we can proceed with the official signatures to the agreement.

Mr. Enns: It is a source of some chagrin to me that it has taken so long to arrive at this point in Manitoba. Even the promise of reaching an agreement will be delayed for six weeks. This seems a long delay when you think of the agreement that was signed in New Brunswick and other areas of the country. I am wondering if Manitoba is being left behind.

Mr. Sauvé: No; one must remember it took many months to prepare the northeast New Brunswick agreement. There has been no undue delay in the case of the interlake region, but the procedure used to establish the plan was different. In northeast New Brunswick, we had a task force which proceeded in a different manner than that followed in the interlake region, where there was a provincial government working group studying the many problems. The report of this group was presented to us, and after that, you will recall, that parliament voted the funds for rural economic development. Then we entered into negotiations with the province. We have to be very specific in what we want to have, how it is going to be paid for and who will be responsible. I have seen the final draft of the agreement, and my understanding is that we should be able to proceed as I mentioned earlier.

Mr. Stefanson: I have a brief question for the minister, but first I want to express my appreciation of the attitude he has adopted toward the interlake region. He did say the department would be prepared to consider hiring people from this area. Reference was made to the fact that the total cost of the agreement signed with New Brunswick would be $90 million, of which $31 million was coming from the fund but the federal contribution would be $52 million. Is the difference between the amount contributed by the federal government and the amount contributed toward the project coming from ARDA funds?

Mr. Sauvé: It is partly coming from ARDA funds and partly coming from funds for specific programs in each department. The member will notice that the brochure called, "Northeast New Brunswick", which was distributed to all members, a breakdown is given of these contributions on pages 38 and 39. There will be $2.3 million coming from ARDA funds; $24 million from the fund for rural economic development; $25 million from the Department of Manpower and Immigration; $3 million from Central Mortgage and Housing and $34 million from the province itself.

Mr. Stefanson: The minister said that the interlake agreement would probably involve a total of $65 million to $70 million, of which approximately $25 million would be coming from the fund. Will there be some other federal money flowing to that project?

Mr. Sauvé: Yes; some will come from the ARDA fund and some will come from the specific departments of the federal government that have responsibilities in that region.

Mr. Danforth: I have a brief question I should like to pose to the minister. He referred to discussions between various mem-

bers of the provincial and federal governments concerning the sharing of costs and he also indicated that the federal government could undertake a project on its own initiative. Could the minister indicate roughly just what yardstick is used when federal participation is considered, whether it be 20 per cent or 60 per cent?

The Chairman: Order, please. Before the minister replies to that question perhaps I might be permitted to outline the business on the adjournment motion: First, the hon. member for Fort William (Mr. Badanai); trade—failure to mention lakehead cities in advertising brochure; the hon. member for Lac Saint-Jean (Mr. Simard); Canadian National—reporting cancellation of express services in Saguenay; the hon. member for Shelburne-Yarmouth-Clare (Mr. Bower); transport—second ferry between Nova Scotia and New England.

It being seven o'clock, pursuant to an order of the house made February 20, I do now leave the chair. The committee will resume at eight o'clock.

Mr. Winkler: I rise on a question of privilege, Mr. Chairman. It may be possible to dispose of this in a few minutes.

An hon. Member: Order.

SITTING SUSPENDED

SITTING RESUMED

The committee resumed at 8 p.m.

The Chairman: Order. When the committee rose at seven o'clock the minister was about to answer a question.

Mr. Sauvé: Mr. Chairman, before we adjourned for dinner the hon. member for Kent (Ont.), asked me whether I could indicate roughly just what yardstick is used when considering federal participation in the fund for rural economic development. Much depends on the nature of the project in a specific region and on the importance being attached by both authorities as to the urgency of the implementation of a specific project. There is really no precise yardstick; it is a question of the importance of a project in the total rural development plan and the easiest way of financing it, either provincially or federally. It varies from one region to another.

[*Translation*]

Mr. Béchard: Mr. Chairman, before asking my question, I should like to express the great satisfaction felt by the hon. member for Bonaventure, and the inhabitants of the pilot area generally, concerning this resolution which will increase the funds for rural development.

I know the hon. minister is closely associated with the economic studies undertaken in the pilot area of the lower St. Lawrence, the Gaspé peninsula and the Magdalen Islands under the ARDA program by the Eastern Quebec Development Board, known as the E.Q.D.B.

The hon. minister is also most anxious to see implemented the project handed over to the provincial government last summer, on July 17, during a ceremony attended by the federal minister. Above all, the minister wishes to reassure the population which has high hopes with regard to this program.

Can he tell us what proportion, as a result of this discussion with the provincial minister concerned, of the $250 million will be spent on implementing this E.Q.D.B. project? As the hon. minister knows, implementation of the whole project could cost much more than those $250 million.

Mr. Sauvé: Mr. Chairman, it is too early to foresee exactly what amounts will be allotted by the fund for rural economic development to make the area development program for the lower St. Lawrence, Gaspesia and the Îles-de-la-Madeleine.

But it may be presumed, in view of our negotiations with other provinces, that the over-all federal contribution will represent between 60 and 70 per cent of the total cost of similar programs. What portion of the federal funds will come from the fund for rural economic development it is absolutely impossible to say precisely.

What we do know, however, is that the Eastern Quebec Planning Bureau program comprises a development plan which was handed over to the provincial and federal governments last summer. Implementing the initial phase of this development program represented outlays of roughly $250 to $300 million for both the provincial and the federal governments. If those figures are accurate, and all depends on current negotiations between the two governments, we could expect the federal government to contribute from 60 to 70 per cent of the total amount of $250 to $300 million. But as several of the projects referred to such as transportation and public works

projects, will be implemented under the direct responsibility of federal departments, and as certain other projects will be financed under a regular ARDA program, that is by a 50 per cent federal contribution and a 50 per cent provincial contribution, there will be left to determine what portion must be financed through the fund for rural economic development we are now referring to. It is really too soon to give precise information about that contribution.

Mr. Clermont: Mr. Chairman, shortly before the adjournment, while talking of the Rouge river valley, the Minister of Forestry and Rural Development said that the minister of tourism was interested in it. I imagine this is the Quebec minister of tourism?

Mr. Chairman, I should also like to join my colleague from Bonaventure (Mr. Béchard) in thanking the minister for the benefits the ARDA program has brought to the province as a whole. However, I cannot add my thanks as far as western Quebec and my riding of Labelle are concerned, because my remarks are based on the list of projects. Western Quebec and the riding of Labelle have not benefited so far from projects carried out under ARDA. The minister said that this area and the riding of Labelle could undoubtedly benefit from the ARDA program but that it was a matter of budget as far as some projects are concerned.

However, since the ARDA program has been in operation, I notice that the province of Quebec is the one which has benefited most from it because as of March 31, 1966, under the ARDA program $98 million had been allocated, out of which $28 million went to the province of Quebec, and the contribution of the federal government amounted to a little over $14 million. Like the hon. member for Bonaventure and others, I hope to be able to extend my thanks to the minister when my area has benefited from that program.

• (8:10 p.m.)

Mr. Béchard: Mr. Chairman, I have just two small questions. In the first place, will the minister kindly ask the government of the province of Quebec to follow through on the Mount Logan development project? I know the federal minister is interested in this project and to my mind, it would be most beneficial not only for that part of the Gaspé but for the entire region.

Now, the amendment before us provides for a maximum of $300 million for the fund for rural economic development. I suppose that this is not the full extent of federal expenditures under ARDA for rural development. It may be the maximum under the present act, but may we hope that when this amount of $300 million is expended parliament may be asked to vote additional sums, if required.

Mr. Sauvé: Mr. Chairman, the bill under study provides for the establishment of a $300 million fund. In addition, for the period between April 1, 1965 and March 31, 1970, that is, a five year period, $125 million are being appropriated by the federal government. Moreover, taking into account the yearly budget of every department, it may be expected that with the $300 million made available to ARDA by parliament, it will be possible to commit, both on the federal and on the provincial level, an amount exceeding $1 billion for rural development in future years.

Mr. Ricard: Mr. Chairman, the more we talk about ARDA, the more we realize how much the initiator of that act, the hon. member for Qu'Appelle (Mr. Hamilton) was far-seeing.

Therefore, I should like to add additional information to that gathered by my good friend from Bonaventure (Mr. Béchard), with whom I rejoice in the benefits which Gaspé and his section of the country will derive from this act. I should also like to ask the minister to tell us which projects are now under way in the province of Quebec under ARDA, aside from those already mentioned by the hon. member for Bonaventure?

Mr. Sauvé: Many projects have been undertaken in the province of Quebec, as may be seen from the list of works for the years 1962, 1965 and 1966. During the first period, 1962-65, there were 179 projects in the province of Quebec, to which the federal and provincial governments subscribed a total of $23.4 million. For the period from April 1, 1965 to March 31, 1966, there were 61 projects, to which the two governments subscribed a total of $5 million. To enumerate all the items on the list would take too much time, and I believe that all the hon. members have received a catalogue of the works executed under the ARDA program; this catalogue gives a very detailed idea of what is being done not only in the province of Quebec but also in the other provinces. The document

supplies the number, the title, the description, the place and the operation of the project, that is the location of the project under way, the total cost and the federal government's share. I shall be pleased to send the hon. member for Saint-Hyacinthe-Bagot (Mr. Ricard) a copy of this document, which is a public document, and he may see for himself that we have projects of all sorts in the province of Quebec.

Mr. Ricard: Mr. Chairman, I do thank the minister and I wish to ask him a supplementary question.

Has he noticed, in routine dealings with his colleagues from the other provinces, a greater desire for co-operation? For instance, does the minister of agriculture of the province of Quebec show as much will to cooperate as do the other hon. members, the ministers of other governments? Is there room for improvement, are conditions better or worse than before?

Mr. Sauvé: Mr. Chairman, I presume our hon. friend the member for Saint-Hyacinthe-Bagot (Mr. Ricard) wants me to speak of our old friend from Nicolet-Yamaska (Mr. Vincent) in flattering terms. The ministers of all provincial governments have always cooperated fully. As far as ARDA is concerned, contacts are numerous between officials and between ministers. Meetings and conferences are often held, attended by representatives of all Canadian provinces, and I must say that a very healthy atmosphere has been created, in short, relations with the former government of the province of Quebec were just as cordial as they are with the present government.

[*English*]

Mr. Barnett: Mr. Chairman, the minister will recall that earlier I raised some questions about the eastern part of Vancouver island involving the minister's department with the federal Department of Fisheries. Since then the Minister of Fisheries has come in. The Minister of Forestry and Rural Development may recall my suggestion that we ask for the co-operation of the Department of Fisheries in certain investigatory work. What I had in mind may not come within the scope of this program. Since the Minister of Fisheries is here it might be a good idea for the two ministers to get together in committee, in answering my question.

Mr. Sauvé: I did not reply directly to the hon. member's suggestion because it was not clear to me if the initiative should be taken by the provincial authorities or by the Department of Fisheries. If the Department of Fisheries took the initiative it could finance the entire cost of the program from its own budget. One thing is certain, that for any province to benefit from the rural development program, it must be a comprehensive program. A comprehensive rural development program has to be treated as such. There is no proposal from the province of British Columbia at this moment such as that to which the hon. member has referred.

Mr. Barnett: Perhaps I did not make my point clear. I was referring to the salmon fishery and I felt that it would be in keeping with our constitutional understanding if the Department of Fisheries could make the type of investigation I referred to, and perhaps provide background information which, if made available, might stimulate an interest by provincial authorities. They might take the appropriate initiative to seek an agreement with the minister. The point is that the Department of Fisheries might deem it advantageous to participate also in such investigation. This is the point I was making. There has not been much provincial initiative in this area under the ARDA program, or the rural economic development program. I felt that if the Minister of Forestry and Rural Development would make this sort of request to the federal Minister of Fisheries and his department, this might act as a catalyst in producing desirable results in that region.

• (8:20 p.m.)

Mr. Kindt: I wish to inform the minister that there are many projects in Alberta, especially in southern Alberta, where we have looked for great things from this particular ARDA program, but up until now there has been very little if any development. It is an area waiting for development. I have in mind the big dam west of Lethbridge on the headwaters of the Oldman River. It has been planned for a number of years by P.F.R.A. but as yet no funds have been appropriated or set aside to go ahead with the development.

Further north from that, on the Highwood River, the Little Bow, and other rivers and tributaries, plans have been made by P.F.R.A. for water development projects. In that part of the country—and I really should not have to tell the minister this because I believe he knows it—water development is one of the main things leading to prosperity, good crops and industrial development. Further east, on the Red Deer River at Emerson, Alberta,

another project has been mentioned many times and I am wondering how one could discover who is responsible for the delay in implementing it. Something should be done. The people of Emerson have been asking for this project for years. They would like it to be considered by both the provincial and federal governments so that progress could be made in carrying the project through. I just mention these few things, Mr. Chairman, but there are many others I could mention. In short, we will be glad to see more development under this ARDA program in southern Alberta.

Mr. Schreyer: Mr. Chairman, I understand the minister is quite anxious to have this legislation put through all stages just as quickly as possible. Looking at the subject matter of the bill one can readily admit that it is quite simple and should go through relatively quickly. I would like to congratulate the minister on his successful persuasiveness with his colleagues, in being able to increase by $250 million the amount of money for the purpose of this special fund for rural econoic development.

The problem this fund was designed to cope with is a massive one and requires massive amounts of money. I believe this was the central point of my remarks last year when the original bill was before us. Further, I believe that there is an inverse relationship between the amount of moneys necessary under this program and ARDA, and the kind of agricultural policies which we have in Canada. I say there is an inverse relationship, because the more limited the success of our agricultural policies, at the federal level in particular, in dealing with the specific problems of low farm income and prices, the more money we shall have to keep pouring in to this fund for rural economic development, and the more we shall have to put into ARDA. I am not trying to say that the relationship is completely inverse, but it is to a degree.

It can be argued with validity that even if we did have agricultural policies that were successful in coping with the problem of low farm prices and income, there would still be the problem of rural non-farm poverty, and funds for rural economic development and for ARDA would still be necessary. I certainly agree, but I do not apologize for repeating the assertion that with each passing year of this decade there is an ever-worsening differential between farm prices and costs, causing in turn a steady deterioration of the farm income picture and position. As this proceeds the minister will have to come back again to this house and introduce more legislation to increase still further the fund for rural economic development.

I would like to think that within the next two or three years we shall be more successful in devising agricultural policies that will help improve the farm income position. Such a step would take the immediate stress off the fund for rural economic development and ARDA, thus allowing those programs to fulfil their true purpose, to deal with rural non-farm poverty and with small farm adjustment problems.

The way things are going now there is even an income problem with those farm operations that approach the statistical average, and this is certainly cause for alarm and distress. Although one should seek to avoid appearing to be a doom seer I must say that, after spending three days at a farm conference in the prairies recently, it is clear to me that the present trends are really cause for distress. I do not say this in a tone critical of the Minister of Forestry. I believe he is to be commended and congratulated for, as I said, being so persuasive with his colleagues and getting this fund increased by the order of about 600 per cent. The problems require dramatic and immediate action and when the minister brings in a bill like this I believe he means business. Let us hope his good intentions and the increase in the fund can be translated into effective action at the point where the problem exists, in our rural areas.

I know the minister has to look at this legislation from the perspective of the federal government, but in order to assist him gain an insight into particular application of the legislation I would like to refer him to the interlake area of Manitoba and the manner in which ARDA and the F.R.E.D. legislation is working there. No doubt the hon. member for Selkirk made some extensive comments in this regard. I am sorry I was not in the house to hear him. In any event, I feel that in many ways this program does provide some hope for the people of that area. Some specific things can and are being done. The educational programming facilities of that particular area are or soon will be in the process, hopefully, of being upgraded. Technical and vocational training facilities will be more readily available in a more conveniently accessible manner.

Fund for Rural Economic Development Act

• (8:30 p.m.)

If the minister has not been asked this already, I should like to ask him whether there is any substance to the press stories that one reads in the Winnipeg papers. These stories appeared a few months ago and were to the effect that there seemed to be disagreement arising between the provincial and federal authorities relative to the constitutionality of the technical education content of the ARDA program as carried out by the province of Manitoba under the provisions of the federal-provincial agreement. I must admit that I have not seen anything more about this in the press, but usually where there is smoke there is fire and there must have been some basis for those stories.

It would be disturbing to me if the federal government were attempting to discourage or inhibit the province of Manitoba, as one of the patrons of the interlake area program, putting emphasis on upgrading the educational program and facilities, because it seems to me and to many others that one of the things which can be done in a tangible way for the residents of that area is to give them access to technical and vocational training and assist them in the upgrading process.

In the not too distant future one really can foresee a possibility that the technical and educational opportunities under ARDA and related programs can be correlated with or joined to the concept of the guaranteed minimum annual income so that while society tries to help those in immediate financial straits there is also in turn a responsibility on the people involved to try to get out of their particular difficulty. So, it seems very logical to me to upgrade the educational and training courses available to the people in rural areas, and join this program to the guaranteed minimum annual income concept.

I should like to make brief reference to one other field under this legislation and the allied legislation of ARDA. It is my understanding that the ARDA program inherently and of necessity is based on the regional concept. This may be very necessary for administrative and other purposes, but quite frankly I am not aware of this. If this is necessary, however, I also see in it a dilemma, because in the way in which it is working now we have one area in the province of Manitoba which is specifically designated as a special area eligible for special grants and special programming. Obviously this is on an experimental basis; it is an experiment in dealing with this problem in a social and economic way—that is, it is an effort to deal with the economic problem, but also a social and perhaps even a human problem, involving human beings.

I am not convinced there is any fairness in the special area approach. The only justification for it can be that it is being tried for experimental purposes and is set up on a temporary basis. What is more fair is to have this kind of programming available to areas which qualify, provided they meet certain criteria or conditions. We still have in many parts of the country—certainly in the province of Manitoba with which I am more intimately familiar—areas which would meet the same criteria. Yet one area is deemed to be a special area eligible under ARDA and another is not. This of course, as I say, can be justified only on a temporary basis.

I should like to ask the minister whether it is the intention to move toward implementation on the basis that so long as certain sets of criteria are met these areas become eligible. It is all very well to speak about specially designated areas, but the justice of the matter demands that all areas which meet certain criteria become eligible. I am not suggesting that anyone in Manitoba begrudges the benefits being received by the residents of any specially designated area in Manitoba, or in any other part of Canada, or the fact that they are eligible for certain programs under ARDA and F.R.E.D.

We find, however, that within the special area there are districts which really are not facing any problem of rural poverty and where relatively speaking—and of course this is so important—there is no problem in respect of small marginal farm units. If there are problems, they are few. There is no problem with regard to farm income relative to other areas of the province, and yet that area is eligible for special grants for ordinary municipal and intermunicipal drainage. Through ARDA federal moneys have been used to build big municipal and intermunicipal drainage works in districts which do not meet any of the criteria which were set up for ARDA or F.R.E.D. Yet, 50, 60, 100, 200, 300, or 400, miles away there are farming districts in which the same kind of conditions exist, where virtually no money is available under the auspices of ARDA.

I understand that ARDA moneys can be made available to non-specially designated areas, but the amount is limited; it is very small indeed. Therefore I should like to ask the minister for how long an interval it is

intended that the special designated area concept will continue. I realize that it is necessary in the short run, but I should like to know how long it will be before we recognize the principle that equality of criteria should bring with it equality of eligibility under federal-provincial programming.

• (8:40 p.m.)

Mr. Sauvé: Mr. Chairman, before the hon. member for Springfield came into the house I indicated that we expected to sign the agreements with Manitoba about the interlake region within the next four to six weeks. This would show that the press reports he has mentioned are without foundation. There has been no difficulty so far as provinces are concerned in relation to this fund for rural economic development, and the ARDA agreement, although some distinctions have to be made.

The ARDA agreement applies to all rural areas in Canada, irrespective of social and economic conditions. The fund for rural economic development is limited to areas where there is a concentration of low income families, according to certain criteria. The provinces must decide which projects will be initiated under the ARDA agreement. They must also decide what projects should be initiated with federal government assistance in respect of the designation of special rural development areas under Part VI of the federal-provincial rural development agreement, which was signed early in 1965.

Administratively it seems that most provinces have desired to begin with one project under Part VI. In any event it was left with the provinces to designate, in co-operation with federal authorities, the regions where this special program would apply. In Manitoba it was felt by the provincial authorities that the interlake region was the first region where such a program, partly financed by the fund for rural economic development, should be initiated. There are other regions in that province, as well as in other provinces, which also qualify for financial assistance from this fund, and I am sure applications in this regard will be forthcoming in the future.

Mr. Aiken: Mr. Chairman, I should like to make a short statement and then ask a question. Recently I saw plans for the redevelopment of a small town in a resort area of the Muskoka district. This town was not developed under a plan. The town council has now seen the error of its ways in that the growth of this community has not developed to facilitate the purposes for which it was proposed; that is, to provide beach and playground areas.

The new plans which have now been prepared are very substantial and are being submitted to a provincial department for transmission to the minister. This is a new development under ARDA so far as I am concerned, and I am wondering whether or not the minister has received other applications of this kind for the redevelopment of small communities in order that better use can be made of the occupied areas. Perhaps the minister can give us some indication as to whether or not redevelopment plans of this type are being submitted.

Mr. Moore: Mr. Chairman, I am pleased to see this additional money made available. I am sure the minister will agree that in some areas of Canada there is a great need for the development of community pastures. The cost of land is very high and it is very difficult for individual farmers to increase their land holdings. These areas are not necessarily low income areas. Very often there is not sufficient land available for grazing. Some community pastures have been developed under the P.F.R.A., but there is not enough land available to alleviate the situation. Can this program be used in this way for the benefit of these small farmers?

Mr. Kindt: Mr. Chairman, I should like to make one or two remarks at this time, but I will yield the floor to the minister if he wishes to make some comment about community pastures.

Mr. Sauvé: Mr. Chairman, the two preceding speakers asked specific questions. In answer to the first let me say I do not have with me the list of projects initiated under this part of the agreement, but I recall a development at Mont Ste-Anne in the city of Beaupré which is very similar to the one mentioned. Provincial authorities must make the decision to accept this kind of project, and once one has been accepted plans must be forwarded to the ARDA development administration.

Large numbers of community pastures have been financed under the ARDA agreement. In this regard the provincial governments must make the decision as to the type of program they wish to initiate with federal support. The federal government does not initiate or indicate projects in respect of which provinces should spend ARDA money. The decision rests solely with each province.

Mr. Kindt: Mr. Chairman, I should like to refer to the difficulties being experienced by many small producers of beef who are attempting to increase the size of their herds. The operation of community pastures is becoming more important to these small producers in western Canada. While the government of the province of Alberta frowns upon the federal government purchasing land, there is nothing to prevent the provincial and federal governments co-operating in the development of community pastures. I hope the minister in his wisdom will encourage this type of development.

Grazing land is essential to beef producers in western Canada and grass is needed to raise cattle. Many thousands of acres of land in semi-airid regions are used for cattle grazing, but it requires 60 acres of this land per animal. I think this ARDA program could be used to advantage for the development of this type of land. The cattle grazing in this area tend to eat off the preferred grass and leave the less palatable. As a result, over a period of time, the land becomes almost entirely covered with vegetation of a type not readily eaten by the cattle.

• (8:50 p.m.)

When this transition has taken place in the past the composition, palatability and nature of the vegetative cover has changed. We find that the vegetative cover today has a deficiency of phosphorous and the livestock are in many cases in need of grasses that will provide them with phosphorous. It is not uncommon to see a cow with a large bone in its mouth, chewing away in order to obtain phosphorous. Stockmen have to put out phosphorous in boxes on their ranges in certain areas in order to provide the phosphorous which animals need to achieve proper growth.

In the United States experiments are being carried out with different grasses that can be grown on semi-arid lands and will step up the carrying capacity of these lands. I refer to such grasses as sainfoin, the rambler alfalfa in certain places, pubescent wheat grasses in others, tall wheat grasses, Russian rye grasses, and many others.

If the ARDA program is to be of benefit in this regard, I think the minister ought to encourage the setting up in these semi-arid regions, in co-operation with the provincial and federal research stations to try to grow grass which will be palatable to our cattle and increase the carrying capacity of those areas. Once the best method to do this has been established you will find that stockmen will welcome the information provided, and will appreciate what the government is doing and will give 100 per cent co-operation. They are asking for this kind of information. They want it. They feel that when all this money is being spent on ARDA projects they have a right to ask that research projects of this kind be conducted under the program in order to improve the vegetative cover of their ranges and increase the palatability of the grass on their lands. In other words, they want a type of vegetative cover that will put more beef on their cattle. These lands are quite capable of a greater degree of carrying capacity. This is being shown down in Wyoming where sainfoin and certain other grasses are being grown, which has tripled the vegetative cover of semi-arid range lands. The benefit to the stockmen grazing cattle on their range land would be tremendous. Such a program would cause some expense to the stockmen, but they are willing to accept this expense if the range will produce more grass for their beef cattle.

I do not care whether or not this measure is passed; I want to get my story across to the minister. We have a minister who lives in a little island some place down east, and these western people never see him. I want the minister to come out there, get in the car with me and I shall take him over the area about which I am speaking. I am sure I can bring home to him very forcefully and clearly, and without any malice aforethought, what the problem is and in what way a project could be started, with the co-operation of the provincial government, that would be to the benefit of Canada as a whole and in particular to the people who live in these areas.

This government says it is always looking for useful things to do. Perhaps the minister is familiar with this problem because of his wide experience. All I am saying is that if he does not know about it, I stand ready to assist him. If he will give me a ring ahead of time, I shall meet him and take him in the car into these areas; then we can look at this problem and consider many other problems while we are there.

Mr. Schreyer: Mr. Chairman, I gather from the remarks the minister made in answering one or two of my questions that the fund for rural economic development, unlike ARDA, was to be related to designated or special areas or regions exclusively. If this is the case, I should like to ask the minister whether the regions to benefit from the fund for rural economic development will be established on the basis of specific criteria. I realize that the

minute one begins to draw up a set of specific criteria he injects a certain amount of rigidity into a program, at the expense of flexibility. On the other hand, I think that to be consistent, to be responsible, we must have a certain, basic set of criteria which any area must meet before it can become eligible under the provisions of this legislation, somewhat along the same lines as ARDA in the industrial development field.

I would ask the minister whether this set of criteria has already been elaborately set up, and if so, is it available to be taken advantage of? I have followed this debate quite closely, and quite frankly I have not heard of any articulated set of conditions, standards or criteria in respect of the purposes of this legislation.

Mr. Sauvé: Mr. Chairman, in 1964 the ARDA administration published a series of definitions with respect to poverty in Canada and the criteria to be applied to the farm. We have divided farms into those which earn $2,500 or less a year and have an income from the sale of produce, and a non-farm family which has an income of less than $3,000 per year. This has been the sole criteria for both farm and non-farm families. Everywhere in Canada where there is a concentration of such low income farms there is a possibility for the federal and provincial governments to agree on the designation of a region. These have been the usual criteria used in Manitoba, where such conditions exist in the interlake region; and they also exist in other parts of Manitoba, especially the northern region.

Mr. Schreyer: Mr. Chairman, I was aware of the information which the minister has just given us. But if there is a set of criteria upon which an area is designated, I say to the minister that I believe it will require a tightening up of administration on the part of his department, because whether it be my own province or not I say to him that in some instances the boundaries have been drawn so as to take in areas or parts of areas where the income factor is considerably above that which is required for an area to be eligible for assistance under the provisions of this legislation.

• (9:00 p.m.)

It was done in order to get special projects carried out which really have nothing to do with the kind of legislation we have before us, or with ARDA. We can support the request of a province for a project which has merit, but when a program that does not meet the criteria is being proposed under the aegis of ARDA or F.R.E.D. it should not be allowed by the federal government. If such a program is allowed it will become the butt of jokes and wisecracks, as is the case right now in the Manitoba legislature and in other parts of the province.

I do not say this as a criticism of the federal department, but if there is to be a set of criteria—and I certainly agree there must be—then they should be well administered and upheld.

Mr. Sauvé: I would not like to forgo giving the last speaker some further information. Another necessary criterion is that the region must be economically viable. It is quite possible that part of the interlake region may not qualify as far as a number of families are concerned, but they would have to be attracted to the other areas so as to make economic development possible.

One cannot include one area of so many thousands of square miles, and exclude another, because the economic development of the region is dependent on the entire area. Otherwise its economy would not be viable. We cannot exclude small wealthier sections from a larger area of low income families. The well-being of the whole region depends on the global approach which would tackle all the problems of the region. Evidently there will be some people who are better off who would also derive benefits from that program.

Clause agreed to.

Title agreed to.

Bill reported.

Mr. Speaker: When shall the bill be read the third time?

Some hon. Members: By leave, now.

Mr. Sauvé moved the third reading of the bill.

Motion agreed to and bill read the third time and passed.

INCOME TAX

IMPLEMENTATION OF VARIOUS AGREEMENTS RESPECTING DOUBLE TAXATION

Hon. Mitchell Sharp (Minister of Finance) moved the second reading of Bill S-56, to implement agreements for the avoidance of double taxation with respect to income tax between Canada and Trinidad and Tobago, Canada and Ireland, Canada and Norway and

Canada and the United Kingdom, and to implement a supplementary income tax convention between Canada and the United States of America.

Mr. Jean Chrétien (Parliamentary Secretary to Minister of Finance): Mr. Speaker, the purpose of this bill, as its title indicates, is to give legislative effect to the recently signed income tax agreements with Trinidad and Tobago, Ireland, Norway, the United Kingdom and the United States. For convenience all these agreements have been incorporated into one bill, as had been done on previous occasions in recent years, and the bill has been divided into parts, each dealing with one agreement.

In substance the bill is similar to the bills implementing income tax agreements or supplementary income tax agreements between Canada and other countries that have been approved by the house since 1942. Canada now has in force 12 comprehensive income tax agreements with the United States of America, New Zealand, France, Sweden, Ireland, Denmark, West Germany, the Union of South Africa, the Netherlands, Australia, Finland and Japan.

The agreement with Trinidad and Tobago is new. The 1946 agreement with the United Kingdom was extended to Trinidad and Tobago when it was a colony and remained in force when it became an independent state; but that agreement was terminated. The new agreement, which reflects changes in the tax structure of Trinidad and Tobago, was negotiated immediately after the Commonwealth-Caribbean-Canada conference of last summer, and the minister was particularly pleased to be able to sign it together with the minister of finance of Trinidad and Tobago a few months later. Since the agreement will come into force as soon as each country has given legislative approval to it, and this has already been done in Trinidad and Tobago, we are hopeful that this agreement will come into force very shortly.

The agreement with Ireland replaces the existing comprehensive agreement with that country. The change of most significance to us is that Canada will have the right to impose a tax of 15 per cent on dividends paid to a parent company in Ireland by its subsidiary controlled company in Canada. Under the existing agreement the tax rate on such dividends is limited to 5 per cent.

The convention with Norway is new. A previous agreement signed in 1960 was not proceeded with because it provided for a maximum 5 per cent rate on dividends from a subsidiary in one country to a parent in the other. The new convention provides for a maximum 15 per cent rate.

The agreement with the United Kingdom assimilates the provisions of the limited agreement that parliament approved last year and also contains provisions similar to those of other comprehensive agreements. The terms of the new agreement generally become effective from the dates when the 1946 Canada-United Kingdom agreement ceased to be effective, so that there is no hiatus between the provisions of the two agreements. The provisions of the new agreement relative to the new British taxes on corporations and capital gains become effective from the inception of these taxes. The agreement will enter into force when parliamentary approval has been given in both countries.

The supplementary convention with the United States of America is designed to overcome a tax avoidance device now being used by certain companies incorporated in Canada but not resident in Canada. The supplementary convention deals only with this change which was requested by the United States. The Canadian government has generally been postponing negotiations with other countries to be held with a view to revising existing tax agreements or entering into new agreements until after there has been an opportunity to examine fully the recommendations of the Royal Commission on Taxation. The other agreements dealt with in the bill now before the house are the culmination of negotiations held as a result of Canadian initiatives taken some years ago.

Hon. R. A. Bell (Carleton): Mr. Speaker, the principle embodied in these agreements is well known and the legislation follows a familiar pattern. Consequently I think it is not necessary to delay the house for any length of time on second reading of the bill. Agreements of this type have been in existence for a considerable number of years as a means of avoiding double taxation, of preventing fiscal evasion and of endeavouring to promote international trade and commercial relations among the nations. They are highly complex and technical in nature, and I think it is in committee of the whole that the best examination can be given them. Indeed I doubt if there is anyone in the country who really fully understands the complexities of these agreements, except for that very dedicated public servant, Mr. F. R. Irwin, director

of taxation, who has had so much to do with their negotiation.

• (9:10 p.m.)

I think the house will welcome, sir, the new agreement between Canada and Trinidad and Tobago, and will hope that this agreement heralds an increase in commercial and fiscal relations between that country and Canada. We believe that increased commercial relations would be greatly to the advantage of both countries.

The agreement with the United Kingdom is perhaps, that of greatest significance among the agreements which are in this bill. We will wish to know in committee just how the agreement which is now proposed integrates with the earlier agreements of June 5, 1946 and December 6, 1965.

The agreement with Norway is a new one which replaces an agreement which is perhaps the longest lived of all, since it has been in existence since May 4, 1929. The agreement with Ireland replaces one which has been in existence since October 28, 1954. The parliamentary secretary, sir, has told us that there are 12 agreements of this type and he has listed the countries with which we have such agreements. Perhaps it is worth while that we should ask how many additional agreements there are under negotiation, and why it is that this country does not have more agreements of this type with the nations of the world.

There are now, of course, well over 125 nations of the world. It seems rather extraordinary, when we are attempting to avoid double taxation and to prevent fiscal evasion, that we should have agreements with as few as 12 countries. As I have indicated, sir, the technicalities and complexities of these agreements are such that I think the proper place to put questions is in committee of the whole. We have no objection to second reading of the bill and welcome the agreements themselves.

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, I agree with the hon. member for Carleton (Mr. Bell) that the proper place to discuss the details of this bill is in committee of the whole. I shall therefore take only a moment or two and, in effect, I shall be presenting the parliamentary secretary with a couple of questions with which I hope he will be ready to deal when we get to the appropriate clauses or schedules. I suppose the parliamentary secretary will not be surprised at my particular interest in the fact that in the new agreement between Canada and the United Kingdom there is a reference to the capital gains tax which is in effect in the United Kingdom. I hope he will be ready with some choice comments about what would happen if, during the life of this agreement, this government saw the wisdom of the Carter commission recommendation that Canada should also have a capital gains tax.

I should appreciate it also if the parliamentary secretary would spell out a little more fully the relationship between the agreement with the United Kingdom that we are now being asked to approve and the one we approved a year or two ago. I have in mind in particular the situation that obtained with respect to the pensioners who draw a pension in one country and live in the other. To be even more precise, I am thinking particularly of the pensioners from the United Kingdom who are living in Canada and who, for a period of time, were being taxed somewhat disadvantageously to them. It was my understanding the agreement we approved a year ago improved the situation, and I should like to be assured the agreement that is now before us does not interfere with the improvement that was made in that respect last year.

Like the hon. member for Carleton, I would be interested in knowing why it is we have these agreements with only 12 countries out of all those around the globe, but that too is a matter with which we can deal when we get into committee. Generally speaking, I am sure the house will approve of the idea of these agreements with other countries.

Motion agreed to and bill read the second time.

Mr. Speaker: The Minister of Fisheries (Mr. Robichaud), seconded by—

Some hon. Members: Oh, oh.

Mr. Speaker: Perhaps I should bring to the attention of the house that we are dealing with only a procedural motion, a motion that the Speaker leave the chair. Perhaps there is no specific difficulty—

Mr. Chrétien: I wanted to make a few comments before second reading.

Mr. Speaker: Order, please. The hon. member cannot make comments because the question has been put and we have had second reading. I do suggest to the house, however, that we are dealing with a procedural motion and perhaps the hon. member for Carleton would second the motion for the Speaker to leave the chair.

Mr. Bell (Carleton): I am intrigued by the suggestion which you make, Mr. Speaker, but I think attention should be drawn to the fact there is only one minister in the house when government legislation is under consideration. On Friday we had a situation in which there was not a minister in the house who had even read the bill. I regret, therefore, I must decline your invitation to second the motion, and I respectfully suggest to you it is not within the prerogative of someone who is not a minister of the crown to second even a procedural motion on a government bill.

Mr. Robichaud: The Minister of Forestry and Rural Development, who is supposed to be in the house at this time, was called out for a few minutes. It was an emergency, but he is here now to second the motion.

Mr. Speaker: The Minister of Fisheries (Mr. Robichaud) moves, seconded by the Minister of Forestry and Rural Development (Mr. Sauvé) that I do now leave the chair.

Motion agreed to and the house went into committee, Mr. Batten in the chair.

On clause 2—*Agreement approved.*

Mr. Bell (Carleton): I wonder if the parliamentary secretary to the Minister of Finance could answer some of the questions which were asked during the debate on second reading?

Mr. Chrétien: The first question asked by both the hon. member for Carleton and the hon. member for Winnipeg North Centre concerned the number of countries with which we have agreements. The explanation is simple. We have some negotiations going on now, but the policy of the government has been to await the expected report of the commission on taxation in view of the fact that many technical changes in our tax laws were expected. This is the reason we have waited up until now, and perhaps we will have to wait a few years or a few months, I do not know, to make new agreements. We have agreements with most countries in which Canadians do business and with countries very closely related to Canada. I do not think any citizens of this country are suffering now as a result of this situation. If an emergency does arise my hon. friend can be sure that the government will take the appropriate steps.

• (9:20 p.m.)

In reply to the question posed by the hon. member for Winnipeg North Centre in regard to capital gains, although I cannot express a view on this I do not think this problem will confront us next week. If a problem does arise next week in connection with this matter we will make the necessary provision. The agreement with the United Kingdom of 1965 is still valid and nothing in the new agreement will change that situation. So I do not see any problem there.

[Mr. Speaker.]

Mr. Bell (Carleton): Mr. Chairman, the parliamentary secretary has stated that a number of agreements are under negotiation. Could he indicate how many there are and with which countries negotiations are taking place?

Second, the parliamentary secretary indicated that there has been a holding back on the part of the government in the conduct of negotiations by reason of the deliberations of a royal commission which has now reported. Are we to infer from this that until a decision has been made whether or not to implement the Carter commission report, the government will not engage in negotiations on a more extensive basis except with the particular countries with which negotiations are now under way?

Mr. Chrétien: Mr. Chairman, I think I can tell the hon. member that we are in the process of conducting negotiations with Jamaica and we are negotiating to renew some agreements, especially with Germany and also with France. We hope the agreements will be concluded soon, judging from the stage of the negotiations at the moment.

With regard to the second question, I think I answered it when I said that we are dealing with the problems which have arisen. If the hon. member finds a situation in which a citizen of this country is suffering, then I would ask him to inform the government. But I can assure the hon. member that there is no such problem. We are in negotiation or have agreements presently in force with all the countries with which we have had some problem.

Mr. Bell (Carleton): The parliamentary secretary has indicated that the government is seeking to renew the agreement with West Germany. Does that mean that this agreement has expired?

Mr. Chrétien: No. I said "renewed" but I meant "revised". The hon. member will understand that I should probably use the language of Molière to reply, instead of Shakespearean language, in which case I would not make such mistakes.

Mr. Knowles: Mr. Chairman, I was intrigued by the reference made just now by the parliamentary secretary to the Carter report. For the last three or four years the stock answer to almost every question about taxation has been: We have to wait till we have the Carter report. The parliamentary secretary almost admits tonight that the government now stands exposed. It has the Carter report and has not yet found another excuse. However, we will give the government a few weeks to find another excuse for not acting in these matters, and I am sure it will find one.

At the risk of seeming to be more persistent than I ought to be I wonder whether I may ask the parliamentary secretary for an answer to the specific question concerning pensions which I asked him earlier under the heading of the United Kingdom agreement. I think he has given the answer, but I have had a number of contacts from people in this country who have been concerned.

Let me spell it out briefly, Mr. Chairman. When they first came from the United Kingdom to Canada a certain agreement was in effect which established the rate of taxation on their pension originating in the United Kingdom. This provision was changed and I think the fault was on the other side. About a year ago the fault was corrected and the agreement that we passed a year ago restored the status quo. All I should like to be sure of is that the agreement we now have leaves the position with respect to the taxation of people who draw pensions from the United Kingdom, but who are living in Canada, exactly as it was last year.

Mr. Chrétien: I can reply to the hon. member by saying that the text of the provision included in the 1965 agreement has been incorporated in the new agreement, so there is no problem at all.

Mr. Herridge: Mr. Chairman, I should like to ask a question, but first of all may I congratulate you upon obtaining your high office of chairman of the committee of the house.

What would be the position—and I am now quoting a case of which I have knowledge—of a pensioner living in Canada who had certain moneys left her in England, from which she draws a dividend sufficient to go to England perhaps every year and spend a couple of months at a posh club in London? This money is never brought to Canada but left in England. The dividends are collected in England and spent for the purpose that I have mentioned. What would be the position under this agreement of a pensioner in this situation?

Mr. Chrétien: The question asked by the hon. member is an interesting one but I cannot assume the office of dealing with the taxation of citizens. The general policy is that all the revenue of a citizen is taxed. It is not a question of pension or no pension; we are all in the same position whether pensioners or not. If a person has income in another country, then he has to abide by the law of the country. If he is not satisfied, then there is provision for appealing the decision. However, I do not want to take the place tonight of the legal officers of the Department of National Revenue.

Clause agreed to.

Clause 3 agreed to.

On clause 4—*Short title of Part II.*

Mr. Bell (Carleton): Mr. Chairman, I wonder whether the parliamentary secretary could briefly indicate the basic differences between the agreement with the government of Ireland, which we are being asked to approve, and the previous agreement with Ireland which was dated October 28, 1954?

Mr. Chrétien: Mr. Chairman, I do have a press release about this which was issued on November 23, 1966, so I might read it to the hon. member.

In substance the new agreement will differ from the existing agreement only in the following respects:

(1) Effective upon ratification of the revised agreement Canada will have the right to impose a tax of 15 per cent on dividends paid to a parent company in Ireland by its subsidiary controlled company in Canada. Under the existing agreement the tax rate on such dividends is limited to 5 per cent.

• (9:30 p.m.)

(2) It will be made clear that Canada has the right to impose a special 15 per cent tax on the branch profits of Irish companies operating in Canada. At present Ireland does not impose a tax on branches similar to that of Canada.

(3) Canada undertakes to exempt from its withholding tax on non-residents the dividends paid by a certain kind of holding company known as a "funnel" company because it funnels its earnings, substantially all of which come from outside of Canada, to its parent company in Ireland.

(4) Both countries undertake not to tax an individual who has come from the other country to pursue advanced studies (including research) at a recognized institution of higher learning, or to be employed as a teacher provided that his temporary residence does not extend beyond two years. A similar provision in the existing agreement applies to teachers only.

(5) The new agreement will remove a doubt arising from a court decision that Ireland has the right to continue to tax the investment income of any Canadian insurance company attributable to operations in Ireland.

(6) Canada will bind itself to exempt that proportion of a dividend received by a company resident in Canada from a subsidiary in Ireland that is attributable to profits in respect of which the current tax incentive concessions in Ireland apply, if that subsidiary is owned to the textent of 25 per cent or more by the Canadian company. This does not represent a departure from current Canadian tax law, which, under section 28 of the Income Tax Act, exempts dividends received by a company resident in Canada from a non-resident company that is at least 25 per cent owned by the Canadian company.

Mr. Bell (Carleton): I take it that the decision regarding the taxation of Canadian insurance companies to which the parliamentary secretary referred is a decision of the Irish courts.

Mr. Chrétien: Yes. It is not a decision of the Canadian courts. I understand it is a decision of the House of Lords. I must admit I do not know that exactly. It is at the request of this country that the various conditions referred to were put into the new agreement.

Mr. Bell (Carleton): The hon. member must refer to an ancient case. It surely is not a House of Lords case. I do not think any Irish case has gone to the House of Lords since about 1921.

Mr. Chrétien: This is a new regulation or new legislation. The problem is that the Irish law is similar to the law in England. The Irish were afraid that the decision of the English House of Lords would create a precedent. That is why they asked to change this part. I am not familiar with the Irish tax laws, and it is difficult for me to give the hon. member a clearer explanation.

Clause agreed to.

Clauses 5 and 6 agreed to.

On clause 7—*Short title of Part III.*

Mr. Bell (Carleton): I observe that the previous agreement with Norway was dated May 2, 1929. This perhaps is the oldest of the existing agreements. It must have been well negotiated to last so long. Perhaps the parliamentary secretary could explain briefly the basic differences between the agreement we are asked to approve tonight and the previous agreement.

Mr. Chrétien: I understand that the old agreement covered only shipping profits and such matters. It was not as extensive and as comprehensive as this agreement. The present agreement is much more comprehensive.

Mr. Bell (Carleton): This agreement covers the field usually covered in such agreements.

Mr. Chrétien: Yes. The other one provided for shipping profits only.

Mr. Monteith: The agreement was not amended since 1929?

Mr. Chrétien: I do not think so.

Clause agreed to.

Clauses 8 and 9 agreed to.

On clause 10—*Short title of Part IV.*

Mr. Bell (Carleton): I have had some difficulty in studying this and in calculating how this new agreement integrates with the earlier agreements which are still in effect, the one of June 5, 1946, and that of December 6, 1965. Perhaps the parliamentary secretary would tell us how these agreements do integrate. Why was it not attempted to consolidate the agreements into one agreement, to place the whole situation in front of us?

Mr. Chrétien: I shall refer my hon. friend again to the news release of the Department of Finance of December 12, 1966, which explains the situation in this way:

The Canada-United Kingdom Income Tax Agreement of 1946 was terminated in 1964. It was replaced in part by a limited agreement confined to four classes of income, signed in 1965. Subsequent negotiations have resulted in a comprehensive agreement similar to the comprehensive agreements concluded by Canada with other countries. The provisions of the 1965 agreement have been assimilated—

Mr. Bell (Carleton): Assimilated?

Mr. Chrétien: Yes.

—into the new agreement.

Mr. Bell (Carleton): Has the 1965 agreement not been taken into account? That seems to be already in that agreement.

Mr. Chrétien: According to my understanding, the others will end when the new agreement is in force.

Mr. Knowles: But the wording that was in last year's agreement has been built into this one. Is that it?

Mr. Chrétien: That is right.

Mr. Knowles: I have one other question at this point. This bill seems a bit odd, in the sense that it has four short titles. I do not

know what you decided, Mr. Chairman, about applying the rules of debate to clause 1, because clauses 1, 4, 7 and 10 are all short titles. Does this mean that when the commission that is revising the statutes gets around to its job with respect to this matter, this bill will be separated into its various component parts, and in each case each part will be an act that will stand on its own feet? For example, will the Canada-United Kingdom income tax agreement be a separate act in the Revised Statutes of Canada?

• (9:40 p.m.)

Mr. Chrétien: In revising statutes sometimes one has to face a problem like this, and I think it is better for us to leave the job to the people mentioned by my hon. friend.

Mr. Knowles: We may leave the job to them, but certainly we have created a good many jobs for them over the last few years.

While I am on my feet, and dealing with clause 10 which has to do with the Canada-United Kingdom income tax agreement, in the interval since we discussed this matter has the parliamentary secretary come up with any ideas about the capital gains tax? This is the agreement that specifically refers to a capital gains tax on the part of the United Kingdom but does not refer to any such tax on the part of Canada.

Mr. Chrétien: Mr. Chairman, I understand that the capital gains tax provision was included in the agreement at the request of the United Kingdom, because there is such a tax in that country, and it is in order for the United Kingdom to control its own taxes. This is not a new problem. We face the same problem with the United States, which has similar taxes. We have the same thing in the agreement with the United States. They asked us to put this provision in the agreement in order to protect themselves. I do not know the actual implications for them, but the reason is that they have such taxes in those countries. Fortunately, or unfortunately, we do not have a capital gains tax in Canada yet.

Mr. Knowles: Do I take it that if we were to introduce a capital gains tax in Canada these agreements would have to be renegotiated?

Mr. Chrétien: We do not know yet. Perhaps this clause may or may not apply, but if that happens we will look into the situation.

Mr. Bell (Carleton): Would the parliamentary secretary consider that the expression in article I(b) "income taxes" would be sufficient to cover the proposals in the Carter commission report in view of the fact that they do not propose to tax capital gains as capital but as income?

Mr. Chrétien: Mr. Chairman, the rules do not permit us to give legal opinions in the House of Commons.

Mr. Bell (Carleton): I would like to be clear on one matter with the parliamentary secretary. If this agreement before us in schedule IV be approved in parliament, it is the only tax agreement that will be in effect with the government of the United Kingdom of Great Britain and Northern Ireland?

Mr. Chrétien: Perhaps my hon. friend will read with interest paragraph 3 on page 64 of the bill which states:

> The agreement between the government of the United Kingdom of Great Britain and Northern Ireland and the government of Canada signed at Ottawa on 6 December, 1965 shall not have effect in relation to any tax for any period for which this agreement has effect as respects that tax.

Mr. Bell (Carleton): Yes, but is it not true that the agreement of December 6, 1965, will continue to have effect for any taxation period prior to the coming into effect of this agreement?

Mr. Chrétien: Oh yes.

Clause agreed to.

Clauses 11 and 12 agreed to.

On clause 13—*Supplementary convention approved.*

Mr. Bell (Carleton): Would the parliamentary secretary explain the need for this amendment to the United States agreement?

Mr. Chrétien: In my statement I said that the problem concerned some companies incorporated in Canada but which are not resident in Canada any more. There was a kind of loophole for tax evasion by companies incorporated in Canada but not resident in Canada, and that is why we have been obliged to put that provision in the agreement.

Mr. Monteith: Does the parliamentary secretary mean by that companies incorporated in Canada but not actually doing any business in Canada?

Mr. Chrétien: That is what I mean.

Clause agreed to.

Clause 14 agreed to.

Schedules I to V inclusive agreed to.

Clause 1 agreed to.

Title agreed to.

Bill reported and read the third time and passed.

INCOME TAX AMENDMENT

INCORPORATION OF PROVISIONS ANALOGOUS TO THOSE IN CANADIAN VESSEL CONSTRUCTION ASSISTANCE ACT

Hon. Mitchell Sharp (Minister of Finance) moved the second reading of Bill No. C-259, to amend the Income Tax Act and to repeal the Canadian Vessel Construction Assistance Act.

He said: Mr. Speaker, this bill to amend the Income Tax Act and to repeal the Canadian Vessel Construction Assistance Act is long and unfortunately somewhat complicated. Its amendments might be said to fall into four categories as follows:

1. Amendments to implement three paragraphs of the March, 1966 budget resolutions.

It will be recalled that the resolutions were approved by the committee of ways and means in June, 1966, and that all but three paragraphs in the resolutions were implemented in the income tax bill, Bill C-216, passed in July, 1966.

When Bill C-216 was before the committee last July I explained that it had not been possible to complete the drafting to cover all the proposals, but that it was the intention of the government to proceed with the remainder of the resolutions when the house resumed in the fall. The three paragraphs of the resolutions left to be implemented were: paragraph 11 dealing with deferred profit sharing plans, paragraph 12 dealing with transfers from pension plans or retiring allowances into a deferred profit sharing plan, and paragraph 13 dealing with supplementary unemployment benefit plans. The second category was the repeal of the Canadian Vessel Construction Assistance Act.

• (9:50 p.m.)

It may be recalled that when Bill No. C-216 was introduced last year it contained provisions dealing with the Canadian Vessel Construction Assistance Act. These provisions were withdrawn from Bill C-216 in order to give the shipping and shipbuilding industry time to study and make representations on the proposed changes. It was indicated that these provisions would be reintroduced in the autumn of 1966.

[Mr. Chrétien.]

The third category was what I would call provincial abatements. It is necessary to change and extend the abatements of personal and corporation income taxes on income earned in a province in accordance with federal-provincial fiscal arrangements.

The fourth category is miscellaneous amendments, which included some changes to remove uncertainty and assist in the administration of the act.

This bill received first reading on December 21, 1966 but because some of the provisions are complicated it was thought desirable to allow a period of some weeks so that it could be thoroughly examined by all who are concerned. In this period the government has had the benefit of a number of submissions on particular parts of the bill and I shall have several amendments to place before the committee.

I shall be glad to provide comments and information as each subclause is called but since the bulk of the bill is made up of amendments dealing with deferred profit sharing plans and the Canadian Vessel Construction Assistance Act, and since these amendments are spread throughout the bill, it might be helpful if I gave a general outline at this stage of what is proposed in these two areas.

It will be noted that a substantial part of this bill deals with deferred profit sharing plans. The bulk of these amendments is contained in clauses 15 and 19 of the bill.

Hon. members will recall that the budget speech on March 29, 1966 announced that changes would be proposed to the Income Tax Act to prevent abuse of the provisions dealing with these plans. In that speech as reported on page 3385 of *Hansard*, I said:

> In recent months there has been evidence of increasing abuse of the section of the act providing special tax treatment for deferred profit sharing plans. In 1960 and 1961 my predecessor, then the hon. member for Eglinton, with the worthiest of motives, introduced a section in the act to provide for these plans, which he described as an important piece of social legislation. Since then various businessmen and their professional advisers have exploited this well intended but vulnerable section in various ways. Essentially what happens in typical cases is that contributions of profits from a business, made deductible in computing income for tax purpose and held in a tax free fund, which were intended to benefit the employees of the business generally are being diverted to benefit a few key people, chief shareholders or their relatives or heirs.

Briefly, a deferred profit sharing plan is an arrangement under which payments, computed by reference to profits from a business, are

made by an employer into a trust on behalf of his employees. These payments, sometimes called contributions, are deductible for income tax purposes by the employer. The contributions are held by the trust for a period of years, very often until the employee retires. The earnings from investing these accumulating funds by the trustee are not taxed in the hands of the trust. When the accumulated funds to the credit of an employee are paid to him, either as a retirement income or in a lump sum, these payments are taxable in his hands.

The two important tax features of these plans are that the employer obtains a deduction for amounts paid into the plan and the employee enjoys deferral of tax, often for many years, on the amounts eventually paid to him. In order to prevent abuse of these plans it has been found necessary to propose new rules dealing with several features of the plans including, first, vesting of the amounts allocated to each employee; second, reallocation of amounts when an employee leaves; third, investment of the funds held by a trustee, and, fourth, distribution of the accumulated funds.

It has also been necessary to impose penalty taxes to ensure that all the requirements are observed. Existing plans which are not now operating in accordance with the new rules will have to make changes to comply, but the amendments provide some time for these plans to make the necessary changes.

In drawing up these new rules there has been careful regard for the objectives of legitimate profit sharing plans. I think that most of the established plans that have been operated for the benefit of employees following the generally accepted principles of profit sharing will not be much affected by the new rules. Since the announcement last March that changes would be made we have had the benefit of a number of very helpful representations from persons who are familiar with profit sharing plans. In the two months that have elapsed since the proposed legislation was made public there has been a good opportunity for interested persons to examine the proposed changes in detail and again we have had the benefit of suggestions from those who are close to the operations of these plans. All the suggestions and representations received since December 19 have been helpful and they have been considered very carefully. It has not been found possible to accept all of these suggestions, but I shall have several amendments to place before the committee to improve the wording and to modify the application of the relevant clauses.

I shall be glad to give a more detailed explanation of the amendments as each clause and subclause is called, but by way of general outline I might point out that clause 16 lays down new requirements with which plans must comply in order to be accepted for registration. Clause 19 provides some rules of operation and imposes penalties for non-compliance.

Clause 15 would add five new paragraphs which describe conditions with which plans must comply if they are to be accepted for registration by the Minister of National Revenue (Mr. Benson) as deferred profit sharing plans. These are as follows: First, if the trustee under the plan is not a trust company there must be three trustees who shall be individuals. Second, all income received, all capital gains made and capital losses sustained by the trust must be allocated to beneficiaries under the plan within 90 days after the end of the year. Third, all amounts allocated or reallocated by a trustee under the plan to a beneficiary must vest in that beneficiary not later than five years after the year in which the amounts are allocated or reallocated unless the beneficiary has ceased to be an employee.

Fourth, the trustee must inform all new beneficiaries of their rights under the plan. Fifth, all amounts vested in an employee under a plan must become payable to that employee—or to his beneficiary or estate in the event of his death—promptly after the employee dies, leaves the employment or become age 71. However, the plan may provide that upon election of the employee all or part of the amounts payable to him may be paid in equal instalments over a period of 10 years or used to purchase an annuity.

Mr. Speaker, I think it would be beneficial to the house if I could complete my remarks. They are a bit complicated. I am sure that if I could get them on the record, it would expedite the subsequent debate.

Mr. Deputy Speaker: Is it agreed that the minister should continue his remarks?

Some hon. Members: Agreed.

Mr. Sharp: This clause will also provide an amendment to place a new limitation on the amount an employer may deduct as a contribution to a deferred profit sharing plan. Under the present law the limit on the amount an employer may deduct in respect of each employee who is a beneficiary under the

plan is $1,500 minus the amount deducted by the employer as a contribution under a registered pension plan in respect of that employee. I shall have an amendment to propose to this section, but it is proposed that the amount contributed to a deferred profit sharing plan may not exceed 20 per cent of the salary or wages paid in the year to the employee. The effect of this will be that an employer may no longer deduct $1,500 in respect of contributions for employees, such as relatives, to which he pays only a small salary.

• (10:00 p.m.)

A new subsection is provided to deal with the situation where a trust governed by a deferred profit sharing plan, or a revoked plan, disposes of property at less than its fair market value or pays more for property than its fair market value. Where this has occurred two things are deemed to have happened as follows:

(a) the difference between the fair market value and the consideration for the property shall be deemed to have been received as proceeds from the plan by the taxpayer who benefited, and

(b) the difference between the fair market value and the consideration for the property shall be deemed to be an amount forfeited in the trust and re-allocated to the taxpayer as if the taxpayer were a beneficiary under the plan.

The Minister of National Revenue is given authority to revoke the registration of a plan, including a plan now in existence, unless the plan has met two conditions by January 1, 1968. These two conditions are:

(a) it must comply with the rules described in section 79C(2) of the act, including those which will be added by this bill, and

(b) it must provide in its terms or bylaws that amounts held by the trust for the benefit of beneficiaries that remain unallocated to employees on December 31, 1967 must be allocated before 1969.

Clause 19 will add a new Part II E to the act to impose certain penalty taxes where a trust governed by a deferred profit sharing plan does certain things. It also deals with returns and provides definitions. It will add new sections 105K to 105Q to the act.

The new section 105K will provide that every trust for a deferred profit sharing plan that acquires a non-qualified investment, or uses any property of the trust as security for a loan, shall pay a tax equal to the cost of the non-qualified investment, or equal to the value of the property used as security for a loan, as the case may be. However, it is also provided that this tax shall be refunded when the trust disposes of a non-qualified investment or when a loan for which property has been pledged is repaid.

This new section also provides that a trust may use as much as 25 per cent of all amounts paid into it each year to pay premiums for life insurance of any kind without being deemed to have acquired a non-qualified investment. If the 25 per cent limit is exceeded the life insurance must be endowment type policies as described in the new section.

The new section 105L is intended to induce the trust for a plan to dispose of its non-qualified investments but it provides that this may be done gradually between now and the end of 1970. The proportion of non-qualified investments that must be disposed of in order to avoid a penalty tax are as follows: 20 per cent thereof by the end of 1967; 40 per cent thereof by the end of 1968; 60 per cent thereof by the end of 1969; 100 per cent thereof by the end of 1970.

Where a tax is imposed because non-qualified investments held on December 21, 1966 are not disposed of within the time limits, this tax will be refunded whenever disposal does take place provided the non-qualified investments are disposed of for not less than the full value placed on them on December 21, 1966. If there is some loss on disposal and the tax paid exceeds the loss there will be a partial refund of the tax.

A new section 105N will impose a tax when excessive amounts are re-allocated to remaining employees when other employees leave the plan. Since amounts paid into a plan and yearly earnings of the trust do not have to vest in members of the plan for five years there may be substantial amounts to be re-allocated to remaining members of the plan when employees terminate their employment or otherwise leave the plan. The amounts that are forfeited by the terminating employees may be returned to the employer and included in his income for tax purposes or re-allocated to remaining members of the plan. A tax of 50 per cent will be imposed on excessive re-allocations but the amount of a re-allocation to an employee will not be regarded as excessive unless it, plus the amounts paid into the plan by the employer on behalf of that employee, plus previous

tax-free re-allocations to that employee, exceed an amount equal to the number of years the employee has been in the plan times $2,000.

A new section 105O requires a trustee for a plan to file returns for each year and a new section 105Q provides definitions including the definition of qualified investments for a trust under a plan. It should be borne in mind that the rules governing what shall be a qualified investment have been influenced by the need to prevent funds paid into a plan being returned to the employer as a loan that might never be repaid. The trust may buy the shares of the employer company where these shares are listed on a prescribed stock exchange in Canada and also in non-listed equity shares of the employer company where these shares meet certain tests. The right to invest in the shares of the employer company is an important part of the philosophy of some profit sharing plans since it is believed that this gives the employee a greater sense of participation in the business for which he works.

I apologize for this long and very complicated statement which departs somewhat from the rules governing debate on second reading, but without it I think it would have been very difficult for a debate to take place that would be relevant to this complicated change. I thank the house for its indulgence.

Mr. Monteith: Mr. Speaker, I am wondering whether or not it would be possible to have these proposed amendments included in *Votes and Proceedings*?

Mr. Sharp: I have the amendments with me and I intended to suggest that they be distributed to hon. members. I thank the hon. member for his suggestion because I think if these proposed amendments are distributed it will help during subsequent discussion, I think this will help in the subsequent discussion.

Mr. Knowles: Mr. Speaker, as far as this party is concerned, I think this will probably fill the bill.

Mr. Speaker: Is it agreed that the amendments referred to by the minister be distributed to hon. members?

Mr. Monteith: As far as I personally am concerned, that is very satisfactory. I was just thinking that possibly there are other hon. members who would like copies of the amendments.

Mr. Bell (Carleton): Mr. Speaker, this is a very important and complicated matter. I wonder whether the minister could give notice of these amendments and have them printed as an appendix to *Votes and Proceedings*. I think this would be most helpful to hon. members.

Mr. Sharp: I am quite agreeable to doing this, if it meets the wishes of the house. I have distributed these copies for the convenience of hon. members. If they are printed in *Votes and Proceedings* I think it would be even more convenient.

Mr. Speaker: Is it agreed that the amendments be printed as an appendix to *Votes and Proceedings*?

Some hon. Members: Agreed.

[*Editor's note: For text of amendments referred to above, see today's Votes and Proceedings.*]

BUSINESS OF THE HOUSE

Mr. McIlraith: Mr. Speaker, tomorrow we propose submitting to the house for its consideration the continuation of the matter now before the house, that is, item 119 on the order paper. Then we will deal with item 133, item 83, item 135 and item 134.

Mr. Monteith: What was the third item?

Mr. McIlraith: The third item was the third reading of the immigration appeal board bill.

PROCEEDINGS ON ADJOURNMENT MOTION

A motion to adjourn the house under provisional standing order 39A deemed to have been moved.

TRADE—FAILURE TO MENTION LAKEHEAD CITIES IN ADVERTISING BROCHURE

Mr. Hubert Badanai (Fort William): Mr. Speaker, today I addressed the following question to the Minister of Trade and Commerce (Mr. Winters):

> Has the attention of the minister been drawn to the elegant and presumably expensive brochure on Canada for distribution to the United States and, if so, did he take note that the cities of Fort William and Port Arthur were completely ignored? In fact, as far as this publication is concerned the Canadian lakehead does not exist.

In the minister's absence the Prime Minister (Mr. Pearson) took notice of the question and promised to bring it to the attention of

the minister upon his return. However, I considered the matter of sufficient importance to ask for a debate on the adjournment motion. It seems inconceivable to me that the Canadian government travel bureau has permitted an elaborate publication to be circulated without showing complete access to Fort William and Port Arthur. I wonder whether those responsible for the printing of the booklet were really serious in producing a map which is supposed to show how Canada can be reached by train, plane and automobile, and leave out the whole of northwestern Ontario.

• (10:10 p.m.)

No Air Canada route to the cities of Fort William and Port Arthur is shown, nor is the North Central Airlines serving the lakehead mentioned. But the most glaring error is in the omission of the Canadian Pacific Railway passenger service, and of course the map leaves out even the international highway 61 from Duluth, Minnesota to the lakehead.

An appropriate editorial in the Fort William *Times Journal* bore the headlines: "It is in our own capital where education is needed", pointing out that there is no plausible excuse for such omissions.

The Northwestern Ontario Development Association, upon hearing of this unbelievable discovery, issued a news release condemning such an unseemly oversight, which may have the effect of drastically reducing the extent to which the lakehead area will share in the influx of tourists expected to be drawn to Canada by Expo.

The news bulletin of the association contains the following observations which are really a classic description of disappointment. It writes:

> With Ontario's northwest thus relegated to the status of an almost inaccessible no-man's-land, it follows naturally that scant if any attention is given our region, either in the descriptive text of Canada's delights, or among the 140 colour photographs that cram this handsome publication.
>
> The Ontario section, for instance, is dominated by a view of Niagara Falls. Other photos show Toronto's skyline, Upper Canada village, and an unidentified lakeside picture. The text, though brief, mentions tulip time at Ottawa, the Canadian National Exhibition at Toronto, the Royal Winter Fair at the same place, car racing at nearby Mosport, Highland Games at Maxville, Indian pageant at Brantford, Shakespearean Festival at Stratford and the flea market at Aberfoyle.

But what upsets the people of northwestern Ontario is the apparent disregard exhibited so often in the past by government agencies and others, whose horizon apparently does not extend too far beyond the larger populated centres of Canada. I ask the minister to have the publication withdrawn and the proper correction made at the earliest possible moment.

[Mr. Badanai.]

Hon. Jean-Luc Pepin (Minister of Energy, Mines and Resources): Mr. Speaker, I am speaking on behalf of the Minister of Trade and Commerce (Mr. Winters). I can well appreciate the disappointment of the hon. member for Fort William, and I sympathize with him in not seeing any reference to the cities of Fort William and Port Arthur in this publication. The reason is not that the lakehead cities were deliberately ignored but that a single booklet that skims over Canada's 10 provinces and two territories in 4,000 words of copy and 54 pages of photographs simply cannot do justice to every important community.

I am told that the travel bureau is now in the midst of giving thought to the production of an entirely new version of "Invitation to Canada" for 1968, and every consideration will be given to the inclusion of the cities of Fort William and Port Arthur.

However, after examining the first and second versions of other basic booklets distributed by the Department of Trade and Commerce I have realized that the department is really doing its best to give the lakehead the recognition it deserves. I have here a collection of booklets distributed by the department. One is entitled "Adventure along the Trans-Canada Highway". The red markers I have here are not to indicate the party to which the hon. member for Fort William belongs but simply to help me identify the references to the cities he represents so well. Another booklet is entitled "Canada Events 1967" and it indicates many events and festivities taking place in the lakehead this year. I have another pamphlet entitled, "Hay Fever, Canadian Havens From". It gives proper recognition to the climate of Fort William and Port Arthur. Then, I have a last pamphlet entitled, "Circle Tours from the Trans-Canada Highway". This one really gives Port Arthur and Fort William recognition with words like, "dynamic twin cities of the enormously important lakehead; a metropolis of 100,000 persons which offers a rare combination of scenic grandeur and industrial power." Fort William is referred to as, "the greatest grain port in the world," with the additional comment that "there are 25 grain

elevators which store annually over 100 million bushels of wheat." The pamphlet contains such phrases as, "see beautiful Boulevard Lake in the heart of Port Arthur". There is a reference to having "fun in Fort William's Chippewa Park", as well as a reference to a "miniature railway".

[*Translation*]

CANADIAN NATIONAL RAILWAYS—EXPRESS DELIVERIES IN SAGUENAY-LAKE ST. JOHN AREAS

Mr. Alcide Simard (Lac-Saint-Jean): Mr. Speaker, this afternoon I put the following question to the Minister of Transport (Mr. Pickersgill):

Is the minister aware that the C.N.R. officials have ordered the discontinuation of express services in the Saguenay, Lake St. John and, especially, Alma districts?

Many serious reasons prompted me to ask this question of the Minister of Transport. However, I shall limit myself to listing the main ones which I hope will succeed in getting the minister's sympathetic attention.

Last week end, I received many telephone calls from constituents who wanted to bring to my attention the fact that, in a very near future, they would be deprived of the express services now offered by the Canadian National Railways. Most of the people who complain are store owners, businessmen, industrialists living in Alma, my riding's major city with a population of approximately 25,000. It should be noted also that those businessmen extend their operations over 25 or 30 square miles.

Needless to say, Mr. Speaker, that our population feels that this decision is completely arbitrary and harmful to our region which has already been classified as economically weak. How can anyone imagine that such action will improve its economic and commercial situation? I doubt very much that it will.

I do not know, Mr. Speaker, if my suspicions are justified but until I get evidence to the contrary, I will find it very hard to get rid of them. I have good reason to believe that the government has chosen the Saguenay-Lake St. John area as a buffer zone where it can try out all kinds of experiments which most of the time go against the interests of our good people who have a right to expect fairer treatment from their government.

This means, Mr. Speaker, that our businessmen will have to spend time and money in order to pick up their goods in Jonquière presumably; this is unacceptable, because I feel the cost of delivery service which is presently available to them, is compensated to a large extent by express rates charged by the Canadian National Railways.

Of course, Mr. Speaker, economic reasons will be put forward; the point will be made that we must cut down on operating and administration expenses since the annual deficits of the national railway system, which is a crown corporation, must always be borne by the Canadian taxpayer. This reason does not stand up to examination, according to the comments and recommendations of the Auditor General of public accounts for Canada for the fiscal year ending March 31, 1966. We can reasonably say that the administrators are not particularly careful in their spending or, shall we say, do not hesitate to squander public funds.

Therefore, Mr. Speaker, on behalf of the riding I have the honour to represent in this house, and on behalf of all citizens whose rights have been violated by arbitrary decicisions of bureaucrats and well paid quill-drivers, I wish to voice vigorous protest against the way in which my constituents are being treated, and I urge the hon. minister to review this unfair policy, if there is still time.

• (10:20 p.m.)

[*English*]

Mr. J. A. Byrne (Parliamentary Secretary to Minister of Transport): Mr. Speaker, there seems to be some misunderstanding about this matter which has been brought to the attention of the house by the hon. member for Lake St. John. Information that was provided me by telephone from officials of the Canadian National Railways is to the effect that, following general practice in industry, where firms are working a five day week delivery of express has been discontinued in the area on Saturdays. However, the offices will remain open on that day for those wishing to pick up their parcels.

If the hon. member has information that the entire service has been discontinued, then this is not the information that we have to hand.

TRANSPORT—SECOND FERRY BETWEEN NOVA SCOTIA AND NEW ENGLAND

Mr. J. O. Bower (Shelburne-Yarmouth-Clare): Mr. Speaker, on Friday I raised or tried to raise with the Minister of Transport a matter concerning transportation of some importance to the economy of the maritime provinces. Your Honour ruled that I was a

little verbose in my question and invited me to bring the matter up on the adjournment debate. I am now taking advantage of that advice. I regret that at this late hour the minister is not present, though I understand this. In view of his interest in and sympathy for all things for the good of the maritimes, I wish he were here. However, I trust that he has instructed his parliamentary secretary to give equally sympathetic consideration to the matter.

I should like to take this opportunity of calling the attention of the Minister of Transport to the need for supplementing the ferry service of the motor vessel *Bluenose* on the Bar Harbor, Maine-Yarmouth, Nova Scotia run during the coming summer months. As the minister and his parliamentary secretary undoubtedly know, the tourist business is of major economic importance to Nova Scotia and indeed to all maritime provinces. Tourist traffic demands have grown to such proportions that the *Bluenose* can no longer handle the traffic during the peak season. The necessity for making reservations for car space well in advance under the present congested summer traffic conditions tends to discourage potential traffic flow. Thus the actual over-demand for space is obscured, because people simply give up and do not visit the maritimes.

In addition to the tourist trade there is another function that the Bar Harbor ferry performs, that of carrying the truck transport of our fisheries exports. Since we are involved here with the freighting of a perishable commodity it is of fundamental importance that this particular traffic suffer no interruption or slow-down for the want of carrying capacity.

It has been the practice to give the *Bluenose* an annual overhaul in the winter. When she is laid up a substitute ferry of sorts has been provided. This year it was reported that a car ferry type of vessel, the *Lief Erikson*, suitable for the Bar Harbor summer service would be utilized during the *Bluenose* overhaul period. Owing to the accident to the ferry *Cabot* in Montreal harbour, the *Lief Erikson* was called in to take its place and was thus eliminated as a replacement for the *Bluenose*.

A small ship, inadequate as a summer supplement, was provided by the Department of Transport to render a minimum freight service at least. This emergency action was much appreciated. On the assumption that the *Cabot* will be back in commission by next June, I urge the minister to assign her to fill the aching void next summer—the aching void I have called to his attention.

In pressing the project I have been discussing, and to emphasize the dollars and cents practicality of it, I draw attention to the fact that during the period January 1, 1965, to December 31, 1965, the ferry *Bluenose* showed an operating profit of some $19,000.

Finally, sir, while reminding the minister again that the ferry service to Bar Harbor is basic to the trade in tourists and fish of Nova Scotia, Prince Edward Island and Newfoundland—a pipe line as it were—I venture the hope that the minister will not allow this pipe line to become intolerably constricted.

Mr. J. A. Byrne (Parliamentary Secretary to Minister of Transport): Mr. Speaker, I wish to assure the hon. member that the minister's absence is not an indication that he does not consider this a most important matter. He is on important business elsewhere this evening. I have information supplied by the department, and I am sure the hon. member is aware of some of that information that I have this evening.

The *Bluenose* service was set up originally as a result of a co-operative arrangement between the federal government and the provincial government, under which each assumed a portion of the capital cost involved at the outset. Two or three years ago the federal government made a special study and forecast which indicated that the longer term traffic growth between southern Nova Scotia and New England would, in due course, justify additional service.

Around that time, and arising out of this, the provincial government suggested that a special consultant be employed to report more specifically on the need for an additional ferry, and the terminals which should be used. The federal government agreed to share in the costs of this study. The study itself was completed last year—in the first half of 1966—and made available to the province, and through the province to the federal government. This indicated there was need for eventual development of additional service. Several alternative routes were studied, with particular attention being given to the desirability of a Bay of Fundy routing.

● (10:30 p.m.)

Since that time, the departmental representatives have been actively engaged in consultation with various interested parties about the best means of developing an appropriate, long-term solution to this problem, this course being considered preferable to short-term improvisation. The province has been kept informed of developments in this connection, and I want to assure the hon. member that I will draw to the attention of the minister new evidence which he has produced here this evening.

Motion agreed to and the house adjourned at 10.32 p.m.

HOUSE OF COMMONS

Tuesday, February 28, 1967

The house met at 2.30 p.m.

JUSTICE AND LEGAL AFFAIRS

Seventh and eighth reports of standing committee on justice and legal affairs—Mr. Cameron (High Park).

EXTERNAL AFFAIRS

EXPENDITURES IN CANADA BY U.S. INTELLIGENCE AGENCY

On the orders of the day:

Right Hon. J. G. Diefenbaker (Leader of the Opposition): Mr. Speaker, information has just been brought to my attention as a result of which I should like to direct a question to the Prime Minister, who may require some time before answering. This question relates to the extraordinary and completely unjustifiable conduct of the Central Intelligence Agency of the United States as revealed recently regarding the secret transfer of large amounts of money to organizations outside the United States. Will the Prime Minister communicate with the administration in Washington to ascertain what moneys, if any, were expended by the C.I.A. to Canadians during the period between May of 1962 and June of 1963? I refer to those amounts of money in addition to what was given to one student organization, the facts of which are now public knowledge.

Right Hon. L. B. Pearson (Prime Minister): Mr. Speaker, I will be glad to look into this matter.

LABOUR CONDITIONS

RETRAINING OF WORKERS LAID OFF BECAUSE OF AUTOMOBILE AGREEMENT

On the orders of the day:

Mr. T. C. Douglas (Burnaby-Coquitlam): Mr. Speaker, I should like to direct a question to the Minister of Manpower and Immigration. Has his attention been drawn to the address delivered to the Empire Club of Canada at Toronto by Mr. George Burt, director of the United Automobile Workers, in which he stated that the auto workers laid off by reason of the auto pact are not being retrained and have not been able to obtain alternative employment? Have steps been taken by the minister's department to remedy this situation?

Hon. Jean Marchand (Minister of Manpower and Immigration): Yes, Mr. Speaker. I am sure the hon. gentleman will realize that in this regard there is a problem in relation to the reference of workers to retraining programs because of a lack of facilities in certain areas. We are attempting to solve this problem with provincial co-operation.

Mr. Douglas: A supplementary question, Mr. Speaker. Since it is not possible to ask the minister detailed questions on the orders of the day, I wonder whether he would consider making a statement or issuing a white paper very soon indicating what the government is doing with respect to either the retraining of or finding employment for the several thousand auto workers who have been laid off recently.

Mr. Marchand: Mr. Speaker, I am preparing a more detailed statement, and as soon as it is ready I will be happy to make it in the house.

[*Translation*]

POST OFFICE DEPARTMENT

DISCUSSIONS RESPECTING AIR MAIL SERVICE BETWEEN CANADA AND U.S.

On the orders of the day:

Mr. Raymond Langlois (Mégantic): Mr. Speaker, I wish to direct a question to the Postmaster General. Could he tell us what came out of his discussions with the authorities in Washington about the air mail service between Canada and the United States?

Mr. Speaker: Order. I think that the hon. member for Mégantic is now inviting the minister to make a statement which should normally be made on motions.

Inquiries of the Ministry

[*English*]

FARM MACHINERY

INQUIRY AS TO REPORT BY ROYAL COMMISSION

On the orders of the day:

Mr. H. A. Olson (Medicine Hat): Mr. Speaker, I should like to address a question to the Minister of Agriculture. It is based on the report from the Dominion Bureau of Statistics that Canadian farmers bought fewer machines in 1966 but paid more money for those fewer implements. I wonder whether the Minister of Agriculture could advise the house whether the royal commission looking into these prices, and so on, will soon be in a position to give the house a report as to the justification for these price increases during 1966.

Hon. J. J. Greene (Minister of Agriculture): To the best of my knowledge, Mr. Speaker, the royal commission has not indicated any intention to make an interim report of any kind, although I will be pleased to look into this matter. But I will be having a statement for the house very shortly on my personal findings with respect to farm machinery prices, which I made pending the report of the royal commission.

Mr. Olson: A supplementary question, Mr. Speaker. I wonder if the minister could advise the house whether he is now prepared to ask the royal commission for an interim report respecting this matter, inasmuch as we now have conclusive evidence that there was a substantial increase during the past year.

Mr. Greene: I will be pleased to consider this suggestion, Mr. Speaker. The newspaper reports I have read to date do not indicate the extent of the increase except in gross amounts. But I will be pleased to consider this question with the commission.

Mr. Reynold Rapp (Humboldt-Melfort-Tisdale): A supplementary question, Mr. Speaker. Would the minister not be justified now in putting a moratorium on the prices of farm machinery, in view of the fact that the prices have increased since the commission was appointed?

Mr. Greene: I know of no authority that the federal government has to put a moratorium on prices, Mr. Speaker.

Right Hon. J. G. Diefenbaker (Leader of the Opposition): A supplementary question, Mr. Speaker. While the minister has no power to fix prices, has he communicated with the implement companies and asked them not to increase their prices while the commission is continuing its investigation, prices which too often appear to be completely unjust and unjustifiable?

Mr. Greene: I have had such meetings and I have put the position put forward by the right hon. gentleman as forcibly as I know how. I will have a report for the house very shortly on the results of these meetings and negotiations.

Mr. E. Nasserden (Rosthern): Mr. Speaker, my supplementary question is addressed to the Minister of Finance. Will he consider the removal of the 11 per cent sales tax on production machinery?

Hon. Mitchell Sharp (Minister of Finance): Mr. Speaker, the sales tax on production machinery will be reduced by half in April of this year and will be entirely removed a year hence.

Mr. Ed. Schreyer (Springfield): A supplementary question, Mr. Speaker. I should like to ask the Minister of Agriculture whether he has attempted to enter into negotiations with the provincial authorities with respect to the question of a moratorium on farm machinery price increases.

Mr. Greene: No, Mr. Speaker.

INDUSTRY

REQUEST FOR COMMITTEE CONSIDERATION OF AUTOMOBILE AGREEMENT

On the orders of the day:

Hon. Michael Starr (Ontario): Mr. Speaker, I wish to address a question to the Minister of Industry. In the light of the announced intention of General Motors to lay off workers both in St. Catharines and Windsor, and in view of the continual permanent lay-offs and stoppages of work, will the minister consider referring the auto pact to a standing committee of the house to study the question of why these lay-offs are taking place?

Hon. C. M. Drury (Minister of Industry): Mr. Speaker, I think the assumption that these are permanent lay-offs is not well founded.

Mr. Starr: It is.

Mr. Drury: MacKinnon Industries have stated publicly that the current lay-offs are due to the decline by some 20 per cent in the current market for motor cars in the United States. These lay-offs are not permanent.

UNEMPLOYMENT INSURANCE

KENT COUNTY, N.B.—SUSPENSION OF PAYMENTS TO WOODS WORKERS

On the orders of the day:

Mr. Guy Crossman (Kent (N.B.)): I should like to address a question to the Minister of Labour. Has he been made aware of the fact that at least 200 woodsmen in Kent county, New Brunswick, had their unemployment insurance suspended because they refused to work under difficult conditions due to deep snow, and will he have this situation investigated?

Hon. J. R. Nicholson (Minister of Labour): Yes Mr. Speaker, my attention has been drawn to this complaint. I have tried to get in touch with the chief commissioner but have not yet been able to do so. I will be speaking to the other commissioners later today, if I cannot contact the chief commissioner. I will request a report and reply to the hon. member.

AIR POLLUTION

EQUIPPING OF AUTOMOBILES WITH PROTECTIVE DEVICES

On the orders of the day:

Mr. Heward Grafftey (Brome-Missisquoi): Mr. Speaker, my question to the Minister of National Health and Welfare is based on the answer given to my question yesterday to the effect that the government was not immediately ordering anti-pollution clean air packages in cars as has been done in the United States. Today my question is as follows. Was this decision made after verbal or written representations by the motor vehicle industry in Canada, and did the minister contact any United States health officials or experts in Canadian urban centres who take air pollution measurements before arriving at the decision he announced yesterday?

Mr. Speaker: Order, please. I think the question asked by the hon. member refers to circumstances which have lapsed and therefore the question should more properly be put on the order paper.

Mr. Grafftey: Mr. Speaker, I will rephrase my question. Was the decision announced yesterday that Canada will not get the clean air package as has been ordered in the United States arrived at only after strong recommendations by the Canadian motor vehicle industry? It is most important that we know this.

Inquiries of the Ministry

Hon. A. J. MacEachen (Minister of National Health and Welfare): I have received no representations whatsoever on this subject matter from the industry.

Mr. Grafftey: Mr. Speaker, may I put a supplementary question to the Minister of Industry. Before arriving at this decision did the government receive any strong written or verbal representations from the motor vehicle industry in Canada?

Mr. Speaker: Order, please. I have to uphold the opinion I expressed a moment ago to the hon. member, that this question should be placed on the order paper.

LABOUR RELATIONS

RAILWAY DISPUTE—GOVERNMENT ACTION FOLLOWING REJECTION OF MEDIATION REPORT

On the orders of the day:

Hon. Michael Starr (Ontario): I wish to address a question to the Minister of Labour and ask him whether the government has arrived at any decision on the course it will follow in respect of those railway unions which did not agree to the recommendations of Mr. Goldenberg.

Hon. J. R. Nicholson (Minister of Labour): Yes, Mr. Speaker.

Mr. Starr: Can the minister say what course of action will be taken to settle the dispute?

Mr. Nicholson: First of all the Minister of Labour will be meeting with the representatives or spokesmen for the two groups of unions that have not accepted the results of the mediation proceedings and have not gone along with them. Meetings with them have been arranged for tomorrow, after which I will be meeting the representatives of the railways. It is expected that the board of arbitration will be set up before too long, but I must have these consultations before taking any such action.

[*Later:*]

Mr. Starr: I wish to direct a question to the Minister of Labour, based on his answer to my previous question, which had to do with the selection of personnel to the arbitration board to deal with railway disputes. This will affect those unions which have not adopted the recommendations of Mr. Goldenberg. Will the members of the board be appointed on a basis of their knowledge of economics, the trade union movement and transportation, or will other criteria be used?

Inquiries of the Ministry

Mr. Nicholson: A combination of qualities is desirable and the situation will be carefully considered to be sure we get the best men available.

ADMINISTRATION OF JUSTICE

BRITISH COLUMBIA—REFUSAL OF UNION OFFICIAL TO ANSWER QUESTIONS

On the orders of the day:

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, I rise to address a question to the kindly Solicitor General with a great deal of righteous indignation because this matter is of national significance. In view of the fact that Mr. Orville Braaten, a respected trade union leader and a member of our party, was sentenced to jail for contempt of court and was walked off handcuffed for refusing to answer questions on the ground that the instructions from the Solicitor General placed time limitations on questions that could be asked in the inquiry, will the minister inform the house what he intends to do to correct this situation and whether he intends to be represented at any hearings questioning the validity of the public inquiries act of British Columbia?

Hon. L. T. Pennell (Solicitor General): Mr. Speaker, I am informed no reference was made to the Solicitor General before the commissioner by Mr. Braaten or his counsel in relation to the incidents which led to Mr. Braaten being cited for contempt. Furthermore, I or no one acting on my behalf issued instructions placing general limitations on questions that could be asked at the inquiry, nor would I have any authority to do so. Under the circumstances it is not our intention to be represented at the proceedings now before the Supreme Court.

NATIONAL DEFENCE

INQUIRY AS TO DECISION ON NAVY HYDROFOIL PROGRAM

On the orders of the day:

Mr. H. Russell MacEwan (Pictou): I have a question for the Minister of National Defence. Has the minister made a decision on the matter of the hydrofoil program for the Royal Canadian Navy? If so, what is that decision?

Hon. Paul Hellyer (Minister of National Defence): No final decision has been taken as yet, Mr. Speaker.

Mr. MacEwan: May I ask the minister, because many months have gone by, if he can tell the country and the navy when he will be deciding this important question?

[Mr. Starr.]

Mr. Hellyer: Soon, I hope, Mr. Speaker. It is my earnest hope that within a few days or weeks there will be time for contemplating some of the important decisions that have to be taken, including this one.

LABOUR CONDITIONS

SYDNEY, N.S.—LAY-OFFS AT STEEL PLANT

On the orders of the day:

Mr. Robert Muir (Cape Breton North and Victoria): I have a question for the Minister of Manpower and Immigration which presumably would be supplementary to the questions put by the hon. member for Burnaby-Coquitlam with regard to the laid off automobile workers. May I ask the minister if he can advise the house today what is being done by his department and the government to assist the 1100 steel workers who have been laid off at the Sydney steel plant? When he is replying to the hon. member for Burnaby-Coquitlam in detail, could the minister provide further information in detail with regard to this important subject, since some of the men who have been laid off have seniority of 16 years or more?

Hon. Jean Marchand (Minister of Manpower and Immigration): Yes, Mr. Speaker, I have no objection to making a report on that case as well.

Mr. Muir (Cape Breton North and Victoria): I did not quite catch what the minister said was being done at the moment. He is going to reply in detail later?

Mr. Speaker: Order. My understanding is that the question has been answered by the minister.

[*Later:*]

Mr. Donald MacInnis (Cape Breton South): I have a question for the Minister of Manpower and Immigration. It is related to the question asked by my colleague from Cape Breton North and Victoria (Mr. Muir), and has to do with the 1100 men laid off at the Sydney steel plant. I ask the minister whether he is in on any plans that will alleviate the situation in Sydney.

Mr. Marchand: Mr. Speaker, I have said that I am ready to make a detailed report on this matter. In the meantime the department is doing what it should do. As the hon. member knows we have in Canada manpower centres which try to find jobs for people and which direct people to jobs where those are available. Some people are invited to move if

jobs for them can be found elsewhere. There is also a counselling service for workers. This sort of thing is done throughout Canada. If the hon. member wants more details of these matters I am ready to make a report.

Mr. MacInnis (Cape Breton South): I will put the question again to the minister. Is he in on any specific plans—

Mr. Speaker: Order, please.

Mr. MacInnis (Cape Breton South):—to alleviate the situation?

Mr. Speaker: The hon. member has already asked the question.

Mr. MacInnis (Cape Breton South): On a further supplementary question—

Mr. Speaker: Order, please.

Mr. MacInnis (Cape Breton South): On a point of order, Mr. Speaker, I think we have the privilege of asking questions in this house about Cape Breton. A Liberal backbencher had the right to put a question about a Canadian fugitive arrested in New York—

Mr. Speaker: Order, please.

Mr. MacInnis (Cape Breton South): —and we should have the right to ask about 1100 men in Cape Breton.

Mr. Speaker: Order, please.

Mr. MacInnis (Cape Breton South): Mr. Speaker, I rise on a question of privilege.

Mr. Speaker: Order, please. The hon. member for Cape Breton South on a question of privilege.

Mr. MacInnis (Cape Breton South): I rise on a question of privilege, because I seek to ask questions about 1100 men at the Sydney steel plant, and the fact that information available to the government is denied by the minister's answer. I was not allowed to ask my question despite the fact that only a few days ago in this house a Liberal backbencher was permitted to ask questions about a fugitive from justice, on his way either to or from Europe, who was arrested in New York. If questions such as that are permitted, surely questions affecting 1100 people in Cape Breton can also be asked. I wanted information; the situation there shows lack of government planning. The Minister of Manpower and Immigration today failed to give me a concise answer. The Prime Minister has denied his own minister in the house.

I draw the minister's attention to the answer by the Minister of Industry on page 12950 of *Hansard*, when this was said:

> Mr. Drury: Mr. Speaker, I think the hon. gentleman will recognize that the government is concerned about this problem of continuing job opportunities in the Cape Breton area. He will recall the recent announcement of the intention of the government to establish through legislation a corporation, the specific task of which would be to endeavour to find new job opportunities in Cape Breton to replace those that seem to be in the course of disappearing.

My question of privilege concerns the answers that are available to members of this house. There is the statement of the Minister of Industry, then a denial from the Prime Minister, then evasion from the Minister of Manpower and Immigration.

Mr. Speaker: Order. If the hon. member will read the citations and precedents he will know that an hon. member cannot raise a question of privilege on the failure of a minister to supply information.

Mr. MacInnis (Cape Breton South): They asked about a fugitive.

CANADA ASSISTANCE PLAN

INQUIRY AS TO REGULATIONS AND AGREEMENTS WITH PROVINCES

On the orders of the day:

Mr. S. J. Enns (Portage-Neepawa): My question is addressed to the Minister of National Health and Welfare, and is in two parts. I should like to ask him first if the regulations supporting the Canada Assistance Plan have been developed as yet; and, if so, when the agreements will be signed with the provinces to give effect to this very worthwhile legislation.

Hon. A. J. MacEachen (Minister of National Health and Welfare): The regulations have been approved by the governor in council, and agreements have been circulated to the provincial ministers for signature if they find them in order.

EXTERNAL AFFAIRS

VIET NAM—INQUIRY AS TO FURTHER CANADIAN REPRESENTATIONS TO U.S.

On the orders of the day:

Mr. Barry Mather (New Westminster): I have a question for the Secretary of State for External Affairs. Having in mind Canada's efforts to encourage a Viet Nam cease fire, is the minister making fresh representations to

the United States following the escalation of attacks on North Viet Nam by the United States?

Hon. Paul Martin (Secretary of State for External Affairs): Before answering this question, Mr. Speaker, may I direct your attention to the presence in the gallery of the executive committee of the Atlantic association of young political leaders, representing the 15 partners in the NATO alliance, who are visiting Ottawa at this time?

Some hon. Members: Hear, hear.

Mr. Martin (Essex East): In answer to the question, we have had discussions about the military actions to which the hon. gentleman directs my attention. It is a fact that Canada has encouraged, and is continuing to encourage, a reversal of the course of military events in Viet Nam. We recognize that this will depend on a mutually acceptable basis for a cease fire being found by both parties. Until a basis for a cease fire has been created, however, I am afraid that each side will continue to deploy its military effort in the way which it regards as best calculated to counteract the military efforts of the other side.

Hon. Gordon Churchill (Winnipeg South Centre): May I ask a supplementary question for clarification. Has the minister received from the hon. member for Leeds certain reports with regard to his far eastern visit that would be helpful in solving some of the problems that so exercise the minister's mind?

Mr. Martin (Essex East): Yes, Mr. Speaker.

Right Hon. J. G. Diefenbaker (Leader of the Opposition): Mr. Speaker, we have been led to believe that the hon. member was being brought back in a hurry because he had some information he wished to transmit. Would the minister let us in on the secret so we will be able to understand some of the actions suggested by the hon. member in consequence of his momentous tour?

Mr. Speaker: Order. What the right hon. gentleman is asking for now is a statement to be made on motions.

Mr. Martin (Essex East): Mr. Speaker, may I just reply—

Mr. Speaker: Order, please.

Mr. Martin (Essex East):—to the question, because I think my right hon. friend—

Mr. Speaker: Order, please.

[Mr. Mather.]

HEALTH AND WELFARE

SMOKING—REPORTED C.B.C. STATEMENT BY STANLEY BURKE

On the orders of the day:

Mr. Jack Roxburgh (Norfolk): Mr. Speaker, I have a question for the minister of state. Has it been drawn to the minister's attention, by way of protest or otherwise, that last week Stanley Burke made a most insinuating and non-factual statement on a C.B.C. national newscast to the effect that the average Canadian smokes 14 cigarettes a day and that 32 die from respiratory diseases? I should like to ask the minister whether she is in favour of such a statement being made on a national news broadcast.

Mr. Speaker: Order, please. I think the hon. member would welcome an opportunity to take this matter up on the adjournment debate.

Mr. Roxburgh: Ten o'clock, Mr. Speaker.

CANADIAN CONSTITUTION

REQUEST FOR CONSULTATION AND DISCUSSION WITH PROVINCES

On the orders of the day:

Mr. G. W. Baldwin (Peace River): Mr. Speaker, I should like to ask the Minister of Finance a question. Having in mind his admirable statement yesterday in connection with submitting the details of the Carter commission report for public discussion and debate with the provinces, would the minister use his very best brand of eloquence on the Prime Minister to persuade him to adopt the same course with regard to constitutional changes?

Hon. Mitchell Sharp (Minister of Finance): Mr. Speaker, I do not think I need give the Prime Minister of Canada any advice whatever. He makes the most admirable decisions for the benefit of Canada.

CANADIAN BROADCASTING CORPORATION

CRITERIA FOR DISTRIBUTION OF COLOUR TELEVISION SETS

On the orders of the day:

Mr. Lawrence E. Kindt (Macleod): Mr. Speaker, may I ask a question of the genial Secretary of State, with no citation for contempt. In view of the fact that perhaps only two or three technically trained people in the

C.B.C. are qualified to evaluate colour television, what criteria—and I emphasize "criteria"—other than technical ones were used to justify the distribution of 107 colour television sets to ministers and employees reported to need them in their work?

Hon. Judy V. LaMarsh (Secretary of State): Mr. Speaker, I cannot thank the hon. member for giving me notice of this question because, of course, he did not send me any. However, in this matter of colour television sets I should like to say that from the beginning, when various crown corporations were set up, it has been the practice of members of parliament not to inquire into matters which are purely questions of internal management. That has been the practice, though of course there is no question but that parliament may demand to be given any piece of information it chooses and, if it does demand it, will of course receive it.

None the less, this sort of question is tantamount to asking who has a dictaphone, either at home or otherwise, for use in one's business. It is tantamount to asking questions about any other piece of office furniture.

Some hon. Members: Oh, oh.

Mr. Speaker: Order, please.

Miss LaMarsh: I do not think I can be expected—

Mr. Speaker: Order, please. I hesitate to interrupt the minister but I do not think she is answering the exact question asked. Perhaps I should recognize that the question should not have been allowed at this time. It is more properly the type of question that should be on the order paper. Certainly the minister is not answering the question which has been asked at this time.

Right Hon. J. G. Diefenbaker (Leader of the Opposition): Mr. Speaker, in view of the statement made by the minister does the C.B.C. take the stand that the distribution —"dispensation" is possibly the appropriate word—of colour television sets paid for by the people of Canada to people outside the C.B.C. is a matter of internal management?

Some hon. Members: Hear, hear.

Miss LaMarsh: No, it is not. If the right hon. member refers to his question which is on the order paper, there will be an answer tomorrow.

Mr. Diefenbaker: Good.

Miss LaMarsh: The C.B.C. has taken the position that distribution within the corporation comes within internal management. I suggest to the right hon. gentleman that this is a hoax, much like talking about who pays for the furniture in the right hon. gentleman's house, the Prime Minister's house or Government House. All such furniture belongs to the people, and there should be no suggestion of impropriety in having it.

Mr. Diefenbaker: I suggest to the minister that the choice of the expression "furniture", considering events not far removed, was not very appropriate.

Mr. Speaker: Order, please.

An hon. Member: Cheap.

Mr. Kindt: Will the Secretary of State join me in the late show and bring with her the answers as to who received the 107 television sets, and the criteria used for the distribution?

Mr. Speaker: Order, please.

POWER

BRITISH COLUMBIA—REQUEST FOR HUNDRED MILLION DOLLAR FEDERAL LOAN

On the orders of the day:

Mr. Howard Johnston (Okanagan-Revelstoke): Mr. Speaker, my question is for the Minister of Finance. It arises out of the answer given yesterday to the question of the hon. member for Kootenay West. The question is this. Considering the reports that have been circulated in British Columbia within the last year by hon. members opposite, to the effect that large sums of federal money were available to British Columbia for the asking, does the minister not believe that a further explanation on the part of the premier of British Columbia is unnecessary?

Mr. Speaker: Order. The question is argumentative.

EXPO '67

PROPOSED IMPORTATION OF VESSEL FOR USE AS FLOATING HOTEL

On the orders of the day:

Hon. John N. Turner (Acting Minister of Transport): Yesterday, Mr. Speaker, the hon. member for Skeena (Mr. Howard) asked me a question having to do with a possible application for the importation of a ship, the *Florida,* as a hotel ship for Montreal harbour to be

used during Expo '67. I direct this answer to him.

The Department of Transport has not received any formal application for this purpose. However, persons interested in operating the ship in this manner have met with officials of the department to discuss what would be the department's requirements for the ship when used in such a service. They have been given details of rather extensive alterations that would be required in order to bring the ship up to the standard of safety appropriate to the intended use.

FISHERIES

INQUIRY AS TO ESTABLISHMENT OF GEOGRAPHICAL CO-ORDINATES

On the orders of the day:

Mr. T. S. Barnett (Comox-Alberni): Mr. Speaker, I have a question for the Secretary of State for External Affairs arising out of an answer he gave me yesterday when I asked whether he would let the house know when he would begin establishing base line co-ordinates. He said at page 13502 of *Hansard*:

I will be glad to do so.

May I ask the minister whether today is the day when he will put these glad tidings in terms of specific calendar dates?

Hon. Paul Martin (Secretary of State for External Affairs): I hope to be in a position to do so very soon.

AIR TRANSPORT

INQUIRY AS TO RESTRICTIONS ON DC-6 AND DC-7 AIRCRAFT

On the orders of the day:

Mr. H. A. Olson (Medicine Hat): I wish to direct a question to the Minister without Portfolio who I believe is the Acting Minister of Transport. Has the Department of Transport issued an order respecting the DC-6 and DC-7 aircraft, restricting the altitude at which they may fly and their pressurization?

Hon. John N. Turner (Acting Minister of Transport): Mr. Speaker, I had better look into that and let the hon. member know the answer.

POST OFFICE DEPARTMENT

WESTON, ONT.—REPORTED WALKOUT OF LETTER CARRIERS

On the orders of the day:

Mr. Robert Stanbury (York-Scarborough): My question is for the Postmaster General.

[Mr. Turner.]

Can the minister report to the house about the walkout of letter carriers this morning at Weston, Ontario?

Mr. Côté (Longueuil): Mr. Speaker—

Mr. Speaker: Order, please. I doubt whether this is a matter of national urgency. If the hon. member feels it is, he may want to discuss the matter at ten o'clock.

Mr. Stanbury: In view of the history of the walkouts such as this which have spread across the country, I think my question is of national importance.

Mr. Speaker: Then I invite the hon. member to have the matter debated this evening. That debate is only a matter of hours away, and I am sure he will receive a more satisfactory reply than he would on orders of the day.

[*Later:*]

Hon. Jean-Pierre Côté (Postmaster General): Mr. Speaker, I wonder if you would allow me to say that the letter carriers at Weston were back at work at one o'clock today.

Mr. Speaker: No.

Some hon. Members: Oh, oh.

Mr. Knowles: Just like the Minister of Finance; he says "no" and means "yes".

LABOUR RELATIONS

SEAFARERS' UNION—TRIAL OF MEMBER FOR CRITICISM OF FORMER UNION OFFICER

On the orders of the day:

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, I apologize for rising again, but I have two very important questions to ask this afternoon.

An hon. Member: Happy birthday, Bert.

Some hon. Members: Hear, hear.

Mr. Herridge: My question is addressed to the Minister of Labour. Mr. Speaker, if you will pardon me, I must say I appreciate your kind congratulations and the kind congratulations of members of the house. After 22 years in the house I find I have something in common with all parties here. I am a bit of a Conservative because I do not like coloured socks and loud suits. I am attracted to the Liberal party because I am very fond of the Liberal lady members on the government side

of the house. I have a certain amount of admiration for the Social Credit party because I like the "farmer approach" to parliamentary procedure taken by the hon. member for Medicine Hat. I love the Créditistes because although at times they are in my opinion strictly illogical, they are adorable.

Some hon. Members: Oh, oh.

Mr. Herridge: Someone has asked me to tell about my own party. I am a member of the New Democratic Party and proud that all the youth movements in our party recognize that I am way out on the left as far as economics and the cultural revolution are concerned.

Now I should like to address a question to the Minister of Labour. Has the minister been informed that a seaman, a member of the Seafarers International Union, has been placed on charge by the officers of the union for criticizing the payment of over $20,000 to Mr. Rod Heinekey, former vice president, at the time of his resignation?

Since the trial of this seaman is to take place in Quebec city on March 9, would the minister refer this case to the board of maritime trustees for their investigation and report to him?

Mr. Speaker: The hon. member is, I am sure, entitled to a reply on this very particular date.

Hon. J. R. Nicholson (Minister of Labour): May I join in the congratulations extended to the genial member for Kootenay West on his birthday—

Some hon. Members: Hear, hear.

Mr. Nicholson: May I also thank the hon. member for his customary courtesy in giving notice of his intention to ask the question. In reply may I say that I have already caused inquiries to be made of the chairman of the board of maritime trustees and will report to the hon. member later.

COAL

INQUIRY AS TO PERSONNEL OF PROPOSED CROWN CORPORATION

On the orders of the day:

Mr. Robert Muir (Cape Breton North and Victoria): My question is for the Prime Minister. Would the right hon. gentleman clarify the situation with regard to the Cape Breton development corporation concerning which there have been some questions in recent days? Will the personnel of the corporation be announced prior to the introduction of the legislation to set up this body, or at a later stage?

Right Hon. L. B. Pearson (Prime Minister): I cannot add substantially to what I said yesterday. It is difficult to announce exactly when the appointments to the corporation will be made public until we have concluded our discussions with DOSCO itself. It may well be possible to announce the personnel of the corporation before the legislation is dealt with, but I am not sure yet.

HOUSE OF COMMONS

BIRTHDAY GREETINGS AND GOOD WISHES TO SENATOR ROEBUCK

On the orders of the day:

Mr. Frank Howard (Skeena): I should like to ask the Prime Minister whether he would mind extending our most sincere good wishes for continued health and activity to a parliamentarian who I think has earned the respect of everyone by his activities in the past, and who today celebrates his 89th birthday anniversary. I refer to hon. Senator Roebuck.

Some hon. Members: Hear, hear.

Right Hon. L. B. Pearson (Prime Minister): I will be very glad to do that, and I know that my hon. friend in the other place will be grateful to the hon. gentleman for bringing this to our attention, and for the good wishes of the house.

Hon. Paul Hellyer (Minister of National Defence): Since the hon. senator is the senator for Trinity, the constituency I have the honour to represent in this house, I should like to join in that salutation.

Mr. Speaker: Perhaps on this pleasant note we can call orders of the day.

INCOME TAX AMENDMENT

INCORPORATION OF PROVISIONS ANALOGOUS TO THOSE IN CANADIAN VESSEL CONSTRUCTION ASSISTANCE ACT

The house resumed, from Monday, February 27, consideration of the motion of Mr. Sharp for the second reading of Bill No. C-259, to amend the Income Tax Act and to repeal the Canadian Vessel Construction Assistance Act.

Income Tax Amendment

Hon. J. W. Monteith (Perth): Last evening the minister outlined in some detail with the contents of Bill No. C-259. He told us that it could really be considered in four categories. The first category would be implementing budget resolution No. 11 of last March, dealing with deferred profit sharing plans, budget resolution No. 12 dealing with the transfer of pension plans or retiring allowances into a deferred profit sharing plan, and budget resolution No. 13 dealing with supplementary unemployment benefit plans.

Then he explained that the second category had to do with the repeal of the Canadian Vessel Construction Assistance Act. The third category dealt with provincial abatements which are necessary to change and extend the abatements of personal and corporation income tax on income earned in a province in accordance with federal-provincial fiscal arrangements. The fourth category he described as consisting of miscellaneous amendments intended, I gather, to tidy up the act and assist in its administration. All in all, this represents a comprehensive package to be contained in one bill.

The bill has been before us since December 21, 1966 and now, as a result of representations, the minister is offering several amendments. The hon. gentleman called this measure a complicated one. Having spent a good deal of time trying to analyse not only the minister's words of last evening but the amendments he proposes to make, I cannot but agree with him. It is most complicated. I should like to thank him, however, for following a somewhat unusual procedure, as he himself said, by giving us advance copies of the amendments he proposes to introduce as we proceed with the clause by clause study.

In his remarks on second reading the minister referred to his budget speech of March 29, 1966 and said he wished to prevent abuse of the provisions dealing with profit sharing plans. I agree that abuses at the expense of the employees must be stopped. I have read the minister's speech very carefully and I must admit that some of his explanations sound reasonable enough. I trust, however, that the circumstances described in "The Tax Corner" of the *Globe and Mail* of February 24, 1967 will not prevail. I should like to mention that this article does throw considerable doubt upon what the minister is trying to achieve in the bill before us.

• (3:20 p.m.)

I should like to read one excerpt, which incidentally, is by Mr. H. Heward Stikeman in the Canada Tax Service Letter and which has been reproduced in this article "The Tax Corner":

> In these amendments, the government is indulging its growing propensity for using massive legislation to block relatively isolated and minor abuses. The side-effects of the amendments could be more detrimental to the tax-paying public than the loopholes they seek to close. Also, because of their extremely harsh sanctions and the retroactive effect on profit sharing plans already established which are, in many cases, almost impossible to alter, little incentive is left to the businessman to continue or start plans of this type for his employees. The rules of the game have been once more changed in midstream without warning and incentive legislation has proved a trap for the innocent majority because of the antics of a daring few.

I should like to point out also that the article contains a speech delivered by the hon. member for Kamloops (Mr. Fulton) to the Toronto Junior Board of Trade in which he raises doubts and criticizes the retroactive features of this bill concerning profit sharing plans. I assume that the hon. member for Kamloops will be speaking later.

Several matters are brought up in that article which seem to point out that there is discrimination in retroactive legislation here, which is not good. I do not intend to go into details at the moment, but I am inclined to think some of these retroactive and very harsh features of Bill No. C-259 may be somewhat alleviated by the proposed amendments. In endeavouring to apply the proposed amendments to the bill itself I found that time seemed to run out before I could analyse the whole situation. As a consequence I am afraid we will have to leave discussion in this regard until we are considering the bill clause by clause.

There is one inquiry I should like to make of the minister which he may answer later. Has the minister met with representatives of the shipbuilding industry, and are they satisfied with the proposed amendments regarding the Canadian Vessel Construction Assistance Act? Other members will have something to say in this regard, Mr. Speaker; but there is one clause in Bill C-259 which I am assuming the minister includes in category 4, namely "miscellaneous amendments". Possibly he or his advisers consider this to be a tidying up clause, but I view it with some alarm. I refer to clause 21. It seems to me the government is using this amendment to the Income Tax Act, which really constitutes a new section, to continue its progress toward a completely regimented society. They seem to be

[Mr. Speaker.]

continuing their trend toward making us all numbers.

If we might recall the history of this numbering business for a moment, I should like to point out that it first came about when a new system of numbering was developed for unemployment insurance purposes. At that time various instructions went out to teachers and others to register, even though they were not obliged by law to do so. They were instructed to register and obtain what was to be called a social insurance number. Subsequently this was extended so the same numbering system would be used for the purposes of the Canada Pension Plan. Back on April 8, 1964 the Prime Minister stated this was not to be used for income tax purposes. This was an interjection by the Prime Minister as the consequence of a question asked by the right hon. Leader of the Opposition. Now this numbering business is to be extended compulsorily to everyone who files an income tax return. So, Mr. Speaker, I am guessing that every new child soon will be registered as a number. Personally I do not like this trend.

Aside from the intent behind clause 21, as the minister has stated the bill is very, very complicated. I do not propose to discuss it further on second reading, but I hope we shall receive full and complete explanation when we reach the committee stage.

Mr. David Lewis (York South): Mr. Speaker, I have read the minister's speech of yesterday very carefully. I must congratulate him on his lucidity. At the same time I admit that at the end of it I was not much more enlightened than I was at the beginning, but that is not at all his fault; the complexity of the matter which is before the house is responsible. My dullness and lack of experience in the field make it difficult for me to follow the precise terms of what the minister proposes. So my remarks on behalf of this party on second reading will be very brief indeed.

I cannot do other, Mr. Speaker, than say that all of us in our party are happy that the minister has attempted to close holes which were in the law before. I cannot say anything but words favourable to the idea that the use of the profit sharing plan for the purpose of tax evasion should be stopped. I am particularly pleased that the amendments require the vesting in the employee of any allocation or reallocation of funds.

I am equally glad that the minister makes another demand on the employer which I know from experience to be very important; that is, that the beneficiaries must be informed of their rights. Usually their rights are as complicated as the minister's bill, and it is a difficult for the employees to understand precisely what they are entitled to in many of these profit sharing plans as it is for some of us to understand precisely what these amendments will mean in practice.

Finally I greet with pleasure the fact that the new rules will place some limitation on the kind of investment trustees of such profit sharing plans can make. Obviously those limits are placed there for the purpose of protecting the funds against any possibility of erosion through economic action which might affect the investments.

These are the things which we greet with pleasure. They are necessary. I look forward to the minister's promised explanations on each clause and subclause as they are taken up in the committee of the whole. I hope that any fears I may have in this regard will be dissipated when I understand the details a great deal more than I can honestly say I do now. Because of the general reasons that make the amendments socially desirable we support this bill on second reading. If hon. members hear a shorter speech at this stage I should like to know about it.

• (3:30 p.m.)

Mr. H. A. Olson (Medicine Hat): Mr. Speaker, the hon. member for York South (Mr. Lewis) may very soon hear a shorter speech on second reading. I must agree with him and with the Minister of Finance (Mr. Sharp) that this is a complicated bill. Any attempt to launch into a debate at this time in respect of all the facets of the bill would, I believe, be fruitless. Surely it would be better to deal with the various aspects raised when we come to them individually.

There are one or two questions I should like to ask and I hope the minister will deal with them during his remarks in closing the debate on second reading. Last night the minister mentioned different categories of amendments, some of which deal with provincial tax abatements. I am wondering whether these amendments result from agreements between the provinces and the federal government and whether we can look forward to this type of agreement on a continuing if not on a permanent basis. On the other hand, perhaps they are necessary to tidy up certain arrangements pending a full scale federal-provincial conference which I presume will be convened

before long. Perhaps the minister would indicate whether these amendments have been prepared to take care of different situations between now and the time the recommendations of the Carter commission are put into effect or until a completely new approach is adopted in respect of federal-provincial tax sharing.

The minister also referred to what he called miscellaneous amendments. On looking through the bill I found several things which might fall into this general category. Last night the minister mentioned certain amendments relating to the Canadian Vessel Construction Assistance Act and indicated that they did not all appear together in the bill. I am wondering whether, during the clause by clause study of the bill in committee, we will consider the various categories of amendments in sequence.

I do not intend to say anything more about the bill at this time except that it would be helpful if the minister would reply to the three general questions I have raised.

Hon. E. D. Fulton (Kamloops): Mr. Speaker, I regret that I must introduce a rather harsher note than has been sounded by either of the last two speakers representing the New Democratic Party and the Social Credit party, but I find after studying this bill that it contains features which are so objectionable that they render the bill, whatever its primary objective may have been, unacceptable in principle.

The minister has explained that in so far as deferred profit sharing plans are concerned a part of the bill is intended to plug loopholes and to eliminate abuses. One cannot take issue with that objective. If a responsible minister finds that certain schemes introduced to enable taxpayers and their employers to enter into desirable arrangements are, because of some loosely worded legislation, being used for other purposes than those for which the legislation was enacted, resulting in substantial losses to the treasury, I do not think any responsible legislator could take objection to the plugging of the loopholes. Legislation to prevent abuse is one thing, but the enactment of retroactive legislation having the effect of making illegal today a whole arrangement that was legal, proper and approved by the minister yesterday, is another thing. I object very strenuously to the principle of making criminals out of Canadians by retroactive legislation. My very strong belief is that only the courts can decide whether or not Canadians are guilty of criminal offences.

[Mr. Olson.]

This legislation at least opens the door, if it does not accomplish it in actual fact, to a situation whereby a profit sharing scheme worked out under legislation in effect until now, and approved by the minister and registered, becomes illegal. This legislation does more than plug loopholes which may have existed. I have read the bill several times and have read the minister's statement and it may be that I am wrong in my analysis of the effect of this legislation. If I am I will be blad to have my error pointed out. However, because I believe I am right in this regard I feel I must oppose the bill.

Not only does the bill state that a plan must not in future acquire certain heretofore approved securities and investments, now to be called non-qualified investments it must also divest itself of securities of this type acquired yesterday, notwithstanding the fact that the minister approved of such acquisition. In other words, a plan must not only refrain from making this type of investment in the future, it must dispose now of previous investments, and will be subject to the imposition of tax on parts of the proceeds.

Apparently the minister does not disagree with that analysis of the provisions of the bill. Taxpayers who have entered into this kind of an arrangement, under which certain securities were acquired for purposes of an approved profit sharing plan, are now told that what they have done, notwithstanding the formality of approval, will be illegal as from now on and that what was done legally must be undone. These people who acquired these securities, under arrangements which provided that tax on income would be deferred until the plan went into effect and profits were distributed to employees, are now required to dispose of them tomorrow, and they will be required to pay taxes on part of the proceeds of disposal.

Surely this is an exemplification of an aggressive bureaucracy reaching out to take into the coffers of government the proceeds of the sale of taxpayers' property which they are now compelled to dispose of, although they never had any intention of using this property in this way when their plan was set up and approved under the original legislation passed by parliament. It was for this reason that on another occasion outside the house I characterized this legislation as not just bureaucracy run wild but bureaucracy run hog wild. I believe it is time that we in this house served notice on the government, the minister and the Department of National Revenue that we

are going to oppose strenuously this approach to income tax legislation which has the effect that, under the guise of plugging a loophole, hitherto legal and proper actions are swept in and made subject to tax penalties. After all, Mr. Speaker, Canadian taxpayers have rights too, or they should have rights. That is the principle that should be followed here.

• (3:40 p.m.)

Legislation may be enacted which has clear and specific effects for the future and taxpayers can study it and be advised as to what they may or may not do, but it is surely not acceptable that taxpayers who have studied existing legislation and taken advice as to what they may or may not do, and have had that advice approved by the minister in the form of registration, should now be told that what was sanctioned by the administration yesterday is improper today, that not only can they not continue to do what they were doing, but they will have to pay a penalty for having done it. I object so strongly to that approach in income tax legislation that I intend to oppose the bill.

Another reason why I oppose the bill is that, if it goes through, as I appreciate it deferred profit sharing plans which are designed to benefit the employees of a company may not be operable in the future except with respect to the larger type of public company. As I understand it, under the legislation or regulations it is intended to provide that these plans cannot be applicable with respect to shares which contain any restriction as to their transferability. In the case of almost every private company, the family type corporation there is a restriction on the transferability of shares. There is a provision which has the effect that if a shareholder wishes to alienate the shares he must first offer them to an existing shareholder at the same price per share as contained in any bona fide offer from outside, and the existing shareholders have the right to exercise that option within a limited period.

That is the nature of a private company. It is incorporated on the basis that a small number of people, having carried on business and being unincorporated, wish to take advantage of the various benefits conferred by corporate structure but they do not want to change the relationship and suddenly find, without notice, some outsider being brought into the corporate enterprise as a shareholder. That is the reason for the restriction on the transferability of shares, and it is a perfectly proper, valid and normal reason. But this is precisely the type of company that may grow through the enterprise and skill of its managers or owners and eventually employ perhaps 20, 30, 50 or 100 people. It is still a small company. It is desired that those employees will be placed in the position, because of their long and faithful service through which they have established an identity of interest with the company, that when the principal shareholders die, they can, through participation in a profit sharing plan, have an opportunity to acquire ownership of the shares.

This system operates in other ways which represent very direct advantages to Canada. If the employees are not in a position where under a profit sharing plan they have the assets to buy the shares, the shares will probably have to be put on the market and sold to the highest bidder if for no other reason than to meet estate taxes imposed by the federal and provincial governments. It has been the practical experience that all too often in such cases the highest bidder is foreign capital. The profit sharing plan represented a very advantageous means by which Canadian employees were placed in a position where they could acquire these shares on the death of a principal shareholder. Employees who otherwise could not have accumulated the capital required to put them in an ownership position have been able to acquire ownership under this system.

This is surely desirable social progress; we should encourage and assist people to become owners and operators of enterprises. That advantage will be gone under this legislation, and the estate of a principal shareholder will be forced to put the shares on the market in order to pay the succession duties. The shares will be sold and the company will probably come under foreign ownership. That is why it is very important in my view that the benefits and advantages of deferred profit sharing plans, inasmuch as they are to be allowed to continue under the new legislation, should be available to the private corporation as well as the large public company which does not have that kind of restriction on the transferability of its shares.

The other objection I have to the bill concerns clause 21, the "numbers clause". Not only are we invited by this bill to pass retroactive legislation making criminals out of Canadians for having done things which yesterday were perfectly legal but we are invited to join in the process of further reducing

society to a grey, numbered mass. I am satisfied that one of the very grave concerns in the minds of Canadian people today, and especially in the minds of younger Canadians, is whether they will be able to maintain any individual identity, any dignity, any personal existence, any personal privacy in the kind of organized society which they see growing up around them. I am satisfied that protest and resentment against the growing, grey anonymity imposed by society and big government on the individual have been the reason for these otherwise inexplicable waves of protest—riots, if you like—that every now and then shake some of our larger urban centres.

Here we have a further extension of this process. I realize that in an age of automation when payments and benefits are calculated by computers, numbers are important, so that perhaps to some extent we are compelled to accept the numbering of recipients of benefits such as old age security and the Canada Pension Plan. But now we find in a bill to amend the Income Tax Act the provision that everyone who files an income tax return shall have a number. I protest vehemently and vigorously against this unnecessary and what I can only describe as attempted stealthy extension of the numbering system into Canadian society.

What is the minister doing? Is he trying to play the numbers game in this house? Why does he introduce a provision of this sort into the Income Tax Act? Let the pensions legislation and other legislation with regard to which numbers may be necessary have such a provision, and let the argument be made there and stand upon its merits. But what right has the Minister of Finance to do this in a bill to amend the Income Tax Act, a bill dealing with the filing of income tax returns? By what assumption of authority does he seek to have this house impose upon Canadian taxpayers, without reference to anything else, the obligation to take out a number when they file their income tax returns? It appears to me that the minister is trying to play the numbers game with legislation here in the House of Commons, and I have always understood that the numbers game is a pretty shady sort of racket.

• (3:50 p.m.)

For these reasons and for the reasons outlined by the hon. member for Perth (Mr. Monteith) I must oppose the bill because while some of its objectives are desirable except for the social security numbers, in our view the objectionable principles and features in the bill outweigh its advantages. It is not as though the objectives could not be accomplished by legitimate and acceptable means. The minister could introduce a bill which said that in the future all deferred profit sharing plans must comply with these new provisions, and we could have an honest debate on this matter. However, when he introduces a bill which says that not only must profit sharing plans comply in the future but that those plans which yesterday were legal, legitimate and approved by the minister will tomorrow become illegal, unacceptable and must be subject to a tax penalty on the disposition of the proceeds, then I say that no objective justifies the insertion into legislation of this unacceptable principle.

Mr. Lewis: May I ask the hon. member for Kamloops (Mr. Fulton) a question? Is the hon. member suggesting that it would be socially preferable to have two classes of plans, one class which would benefit from a previous set of rules giving them greater advantages and another class which would benefit from a new set of rules and would not have those advantages? Is it better to have two classes of plans rather than to have legislation which would reduce them all to the same kind of plan?

Mr. Fulton: I think I have made my position perfectly clear. I object in principle to making illegal and virtually criminal something that was legal and specifically approved in detail by the minister. If the only course is to have one class under former legislation and a new type under legislation introduced today, then that is the position we must accept. But I hope that the hon. member for York South, as a lawyer and as a defender of civil rights and liberties, will join me in opposing legislation which seeks retroactively to make Canadian taxpayers criminals and lawbreakers for doing something for which they had the specific approval of the minister. I hope that the hon. member will join me in opposing that type of legislation.

Mr. Lewis: May I ask the hon. member a further question?

Mr. Speaker: Order, please. Is the hon. member for Kamloops prepared to allow the hon. member for York South to ask a further question?

Mr. Fulton: Mr. Speaker, I think it would be better if that were done in committee.

Mr. T. S. Barnett (Comox-Alberni): Mr. Speaker, I have listened with interest to the speech of the hon. member for Kamloops (Mr. Fulton), as I always do. I must say that, like my colleague for York South, I do not pretend to comprehend fully all the details of this bill. I made an attempt to understand the various clauses as best I could but I must say that I was completely unaware of some of the sinister philosophical undertones in the legislation which the hon. member for Kamloops sees in it. It has become obvious to me that when the bill is considered in committee a good deal of the discussion on the clauses of the bill will centre around the different aspects of the legislation. This is to be expected in view of the heading which appears in yesterday's *Hansard* preceding the minister's speech on second reading. It appears to put the emphasis on the incorporation of provisions in the Income Tax Act analogous to those contained in the Canadian Vessel Construction Assistance Act.

My only purpose in participating in the debate at this stage is to say a word about an aspect of the legislation which was not touched upon by my colleague from York South, namely, the proposed repeal of the Canadian Vessel Construction Assistance Act. I have looked at the clauses in the bill relating to the existing provisions of that act and I find myself in agreement with the recommendations of the minister in this connection. In fact I am prepared to go somewhat further and to congratulate the minister on having had the foresight to take a course which in my view eliminates what was largely a piece of political window dressing introduced by a former Liberal administration in the immediate post-war period when a hue and cry was raised regarding the future of our merchant marine and of the Canadian shipbuilding industry.

As I understand the Canadian Vessel Construction Assistance Act, it is really an act which could very well have been incorporated in the Income Tax Act had it not been for what appears now to have been a ploy at the time to give some comfort to those engaged in Canadian vessel construction. Therefore, to the extent to which the minister is in effect rationalizing the legislation on our statute books by putting the provisions of the Canadian Vessel Construction Assistance Act where I think they should have been in the first place, in the Income Tax Act, I am happy to support the minister's move in that direction.

Mr. G. H. Aiken (Parry Sound-Muskoka): Mr. Speaker, the remarks I should like to make in connection with this bill are more in the nature of a protest at the method by which the principle is evolved rather than against the principle itself. I am referring to clause 21 of the bill which contains a definite principle that is to a large extent not connected with the bill, and requires every person filing an income tax return to have a social security number. The hon. member for Perth (Mr. Monteith) quoted a statement that the Prime Minister (Mr. Pearson) made as long ago as 1964 in connection with the use of social security numbers. There are a number of other occasions on which members of the government have solemnly assured the house and committees of the house that it was not the intention of the government to make the social security numbers applicable to everyone in Canada for every purpose. My objection is based on the fact that if clause 21 is adopted the process will be completed and practically everyone in Canada will be identified by a social security number.

• (4:00 p.m.)

In an automated society such as we have at present we must recognize the need for a certain amount of numbering. In fact, I could not conscientiously protest the use of numbers in plans the government brings forward in connection with social justice measures. One could not do so because such plans could not be operated without a reasonable system. To that extent I have to go along with the fact that numbering is necessary in many of the plans that are brought before parliament.

What I protest most strongly is that all the time the government was stating this was not what it intended to do it was in fact, through a series of four or five pieces of legislation, doing exactly this. If we adopt this bill the process will be complete. I should like to outline for a moment how this has been accomplished through a series of enactments that we have passed. It is the way it was done that I wish to protest. If the government had started out by saying, we are making plans for the Canada Pension Plan, for medical insurance later and for automating the income tax set-up, as well as a number of other things which will require social insurance numbers, then we could have had a debate on this subject. We could have settled the matter.

The government would probably have won such a debate because I suspect it would have had the support of the New Democratic Party. We would possibly have lost the battle if we

had chosen to oppose the legislation. However, this is not the point I am trying to make. The point is that all the time the government has been protesting that it was not doing this it has in fact been doing it. From the start of the Canada Pension Plan until today we have been assured time and again that the only reason social security numbers were required was related to the Canada Pension Plan. We were told that the numbering would not extend to everybody in Canada but would cover a limited number of people because there would be many people who would not be included in the Canada Pension Plan. We accepted this statement at face value. The Canada Pension Plan came into effect and social security numbers were adopted.

Social security numbers are being used now in connection with other acts parliament has passed and they are being extended to cover the whole field. Following the adoption of the Canada Pension Plan other acts were passed. The most recent was the bill covering the old age pension supplement. Under the Canada Pension Plan everyone who was employed in Canada was covered by a social security number. The self-employed earning over $800 per year, being the majority of Canadians, were also included. However, there was still a group of people who were not included. Recently the old age supplement was brought into existence and it included all the elderly from those who had no income whatever right up to those who had an income of $720. If they draw an old age pension of $900 a year and have another $720 from other income they are within the taxable area, so all the elderly are included and there is no one left who will not be registered under a social security number. It is possible, Mr. Speaker, that this is why the $720 level was selected in the original plan for the old age pension supplement, so that it would provide a group of persons drawing old age pensions who would be eligible for social security numbers?

The present clause 21 in this bill will take in everybody else because it covers every individual who is required to file an income tax return. There will not be anyone left by the time you include those who have an income of not less than $800 under the Canada Pension Plan and by the time you add those covered by the old age supplement and the medical insurance legislation we have just passed. We will find that everybody in Canada is covered by a social security number. My objection is that the government has sneaked up on us in this matter. I feel that they have done so by the inclusion of a section in our income tax laws which really covers a fundamental principle in social legislation, and have tucked it away in a bill having to do with the Canadian Vessel Construction Assistance Act. I noted that last night the minister dealt with the other clauses up to clause 19 and then stopped. I do not know if he had any ulterior motive but he never got to clause 21 when he was explaining the provisions of the bill. I do not know whether we were intended to overlook that or what the intention was.

There is a fundamental principle involved here and it is stuck in the middle of a bill making an amendment to the Income Tax Act. This clause should be the subject of a separate vote and the change should have been made three years ago, not in 1967 when the process has been completed. My objection is to the way in which this program has developed. One bill after another has been introduced which included more persons who were subject to public returns and all this time the government has been saying it was not applying this principle to this group or that group. They have by stealth completed the process of implementing a principle on which we should have voted two or three years ago.

• (4:10 p.m.)

The unfortunate part, Mr. Speaker, is that having once established this principle and the numbering system it is very difficult now to stop using it. If the government had been forthright with the house in the first place when these social security numbers were introduced and had said that we were going to use them for purposes of all social legislation from now on, including income tax purposes, then we could have made a stand on the matter at the time and settled the principle. Perhaps the principle would have been adopted, but at least the people would have known what they were supporting and voting for in the election which took place in November, 1965. But this has not happened, Mr. Speaker, and it is why I protest strongly at the present time.

Mr. Steven Otto (York East): Mr. Speaker, my remarks will be brief. I was very interested in what was said by the hon. member for Kamloops (Mr. Fulton). It is a very disturbing thought, as the hon. gentleman put it, that this house is approving a bill which may be

inequitable in its effect. What the hon. gentleman suggested was that the element of retroactivity is not fair. He said that it is unfair for the government and for this house to say to any company which has established a pension plan that we have given them a clean bill of health but we are now going to make them pay a tax and possibly a penalty as a result of what they have done in the past.

That may sound very logical, Mr. Speaker, but I put it to the hon. gentleman that there are two kinds of companies which come to the minister. There is the one class which definitely intends to set up a pension plan. These companies have an honest intention to set up a workable and feasible pension plan. However, I think the hon. gentleman will also admit that there is another class that comes to the minister for approval not with the intention of establishing a pension plan but with the intention of avoiding payment of income tax.

I am sure that most of us in this house, Mr. Speaker, have had experience of a pension plan set up by a company to provide a pension for its employees. Under such a plan the contributions are usually made by the company; there is seldom a contributory element requiring participation by the employees. Mind you, Mr. Speaker, this is very generous, but in most cases the vesting period of the plan is 20 to 30 years which means that none of the employees is entitled to draw a pension from the plan until the end of that period. Obviously some employees would never last 20 years.

It is also to be noted that the trustees of the plan who direct the pension fund are often the directors and sometimes the owners of the company concerned. And, Mr. Speaker, lo and behold, after a few years these directors decide that the best investment to make on behalf of the pension fund is in the shares of the parent company. As time progresses the pension fund invests in these shares at what are called reasonable prices, though sometimes they are higher than the market value. Shares owned by the directors of the company are sold to the pension fund.

As I say, Mr. Speaker, seldom does one employee derive any benefit from the pension fund because the employees of the company seldom outlive the vesting period of the fund. By this means the directors of the fund, without any intention of paying out any benefits, have been avoiding the payment of tax in that contributions to the pension fund are deductible for tax purposes. And this goes on in perpetuity. All those who have practised law, Mr. Speaker, know that this sort of thing takes place, and I think the hon. gentleman for Kamloops would admit it is not fair.

I think it is fair to say that very few companies would object to the retroactivity clause; and I suggest that those who came to the minister in all honesty with the intention of establishing a good pension plan will not be the serious objectors. The companies we are asked to protect are those which sought the minister's and the department's approval of a plan which, though it complied with the rules, was not intended to be primarily a pension plan but a means of avoiding the payment of tax. These are the companies which will object most strenuously.

I put it to hon. members that it would not be fair to allow these people to enjoy the benefits of what could be termed their fraud by protecting the few who might object to the retroactive element in this bill. I put it to the hon. member for Kamloops that this bill is the fairest way of making all pension plans come within the regulations and I repeat that it is my opinion that very few people with honest intentions will have any serious objection to this legislation.

Mr. Frank Howard (Skeena): Mr. Speaker, I have only a few remarks. They have been prompted by the speech of the former leader of the Conservative party in British Columbia, the hon. member for Kamloops (Mr. Fulton). I was very much interested in his denunciation of a proposed piece of legislation which will make something illegal which was hitherto legal. I think that was the force and effect of part of his argument.

Mr. Fulton: My objection is to the retroactive effect not to stopping this being done in the future. My objection is to saying that what was done in the past and which was specifically approved at the time, now becomes, in effect, illegal even at the time it was done and has to be undone.

Mr. Howard: Mr. Speaker, this clarification assists me. I must commend the hon. member for Kamloops for his very agile and forceful way of putting up a good fight for a very bad case, if I may put it in that way.

On listening to the hon. member I was reminded of the time in 1960 when the hon. gentleman was minister of justice and piloted through parliament a bill amending the Combines Investigation Act. I submit that at that time the hon. gentleman was author of a

piece of legislation which did the very reverse of that about which he now complains. In effect it made something legal which had previously been illegal and by a variety of circumstances authorized an illegal act, namely, a conspiracy to fix prices, especially in the production, distribution and sale of raw fish in British Columbia. Prior to 1960 an inquiry was conducted by the combines investigation branch into the production, distribution and sale of raw fish in that province. This matter was delayed for many years as a result of a number of court actions and to my knowledge the case never did come to trial, though it may have in later years when interest in the subject had died down. In any event the allegation was that the fishing industry as one element and the companies in the industry had entered into an illegal conspiracy to fix prices.

• (4:20 p.m.)

The hon. member, who was then minister of justice, in introducing amendments to the Combines Investigation Act took the course of saying that what was previously illegal should be made legal. Consequently he piloted amendments through the house and the banking and commerce committee which, incidentally, were supported by the hon. member for Parkdale (Mr. Haidasz).

Mr. Speaker: Order, please. I will recognize the hon member for Kamloops in a moment. I allowed the hon. member for Skeena to continue along the line he has been following because I thought he wished to establish an analogy between two situations. Certainly, the discussion he is now embarking on is, to my way of thinking not relevant to the bill before the house.

Mr. Fulton: I rise on a question of privilege and not to enter into any detailed debate on the matter to point out that the hon. member for Skeena has completely misstated the effect and the intention of the legislation I introduced in 1960. It did not have, nor was it intended to have, the effect he outlined.

Mr. Speaker: Order, please. Perhaps it might be simpler if we returned to considering the bill before the house.

Mr. Howard: I am amazed at the sensitivity of the hon. member for Kamloops. Having successfully drawn my analogy, having drawn blood by way of a protest, and having gone far enough to prove the case beyond doubt, in view of your admonition, Mr. Speaker, I shall resist going further into the very poor case

[Mr. Howard.]

that the hon. member for Kamloops tried to sell the house.

Mr. Aiken: Talk about agility.

Mr. H. R. Ballard (Calgary South): Mr. Speaker, I rise to make two serious objections in a general way to some provisions of the bill. I shall be more specific when we consider the bill clause by clause. One point has to do with deferred profit sharing plans and the amendments in regard thereto in the bill. Section 79C of the Income Tax Act and the amendments to that section in this bill must be considered together as dealing with deferred profit sharing plans. The matters dealt with are not necessarily pension plans, as implied by the hon. member for York East (Mr. Otto). A deferred profit sharing plan can be used for a number of different circumstances. It need not be used as a pension plan for employees.

Many taxpayers of Canada have interpreted section 79C in this light. This is shown by what some taxpayers have done since section 79C was introduced in 1961. The original section 79C laid down a number of regulations governing a deferred profit sharing plan. For example, such plans had to be registered with the Minister of Finance. Instructions were given by the minister about the types of plans which could be registered with him.

The act laid down general criteria about how trust funds could be used. Then, as so often happens, a general clause was included. Section 79C, subsection (2) (g) is the catchall part of the act. It reads as follows:

> (g) the plan, in all other respects, complies with regulations of the governor in council made on the recommendation of the Minister of Finance.

It is apparent that if the regulations were not broad enough to catch all the situations the minister had in mind he had this particular clause to fall back on when making additional regulations. As a matter of fact he used this clause to some extent in issuing directives to the various income tax offices for their guidance in assessing these plans.

I am particularly concerned about what the hon. member for Kamloops said this afternoon in regard to the retroactivity of the legislation and the fact that quite a number of profit sharing plans will now be more or less discarded. It was apparent to the Minister of Finance, I believe, that a number of profit sharing plans were instituted for the purchase of life insurance on the lives of principals of companies, and that eventually, on the death of the principal shareholders,

the employees would be enabled to buy out the concern without selling its assets. I say that the minister was aware of this because we have this guide line issued by the department. I quote guide line No. 5, as contained in the Canada Tax Service Letter dated January 31, 1967:

> Where the funds of the trustee are used to pay life insurance premiums, they must not be directed to the purchase of term insurance. The proceeds of the insurance must always be payable to the trustee.

This, I maintain, proves that the minister was aware that some of these trusts set up under profit sharing plans were buying life insurance on the lives of the principal company shareholders. The effect of the present legislation is to set up new rules governing the purchase of insurance. The new legislation says that only 25 per cent of the money paid in by employees can be used to purchase life insurance. I know there are many plans, some of which I know of personally, where practically all the money paid in by employees is directed to the purchase of life insurance. I suggest that this bill will change the situation to such an extent that a considerable number of acceptable profit sharing plans will have to be dropped.

I agree with the hon. member for York East that many plans were not acceptable. In those cases the Minister of Finance should have established guide lines to enunciate more clearly the situations under which profit sharing plans could be accepted. With the amendments being made we are putting all profit sharing plans into the same category and condemning them all in the same way.

Mr. Heward Stikeman, Q.C., in the Canada Tax Service Letter dated January 31, 1967, has this to say:

> In these amendments, the government is indulging its growing propensity for using massive legislation to block relatively isolated and minor abuses. The side effects of the amendments could be more detrimental to the tax-paying public than the loopholes they seek to close. Also, because of their extremely harsh sanctions and the retroactive effect on profit sharing plans already established which are, in many cases, almost impossible to alter, little incentive is left to the businessman to continue or start plans of this type for his employees.
>
> • (4:30 p.m.)
>
> The rules of the game have once more been changed in midstream without warning and incentive legislation has proved a trap for the innocent majority because of the antics of a daring few.

In other words, we are condemning the whole spectrum of profit sharing plans so as to trap a few who have abused the privileges of this procedure. I believe the minister could have brought in amendments capable of trapping the few who are abusing these plans without prejudice to all those who are now participating in the procedure. I think this is a dangerous piece of legislation. It is retroactive. Some of its provisions are applicable to 1966. This is an unusual procedure as far as income tax is concerned. It is not customary to enact income tax legislation which affects prior years. If this were not the practice, how could taxpayers in this country know where they stand at any particular time? They do not if they face the possibility of retroactive legislation at any time.

The other point which concerns me is the further amendment to section 133. It has been traditional in Canada that dealings between the director of taxation and taxpayers should be regarded as extremely confidential. As a matter of fact, until 1965 this area of confidentiality was extremely well guarded under section 133. In 1965 the section read as follows:

> (1) Every person who, while employed in the service of Her Majesty, has communicated or allowed to be communicated to a person not legally entitled thereto any information obtained under this Act or has allowed any such person to inspect or have access to any written statement furnished under this Act is guilty of an offence and liable on summary conviction to a fine not exceeding $200.

There was one exception made at that time. When the provinces began to impose income tax, arrangements were made for information to be exchanged between the federal and the provincial departments in order to compare the tax returns reported in each case. This, I suggest, was acceptable. The only other occasion upon which information held by the Minister of National Revenue could be called into the public purview, as it were, was when the courts of justice required its production in a criminal case, there being substantial ground for such a request.

Last year this section was amended in a bill which received royal assent on July 15, 1966. The concept of confidentiality was breached to a large extent by that amendment, the essence of which was that an official or authorized person in the course of his duties in connection with the administration or enforcement of this act could communicate such information to authorized persons, and the act really did not say who these authorized persons were. This matter came to my attention as a result of a case in the Supreme Court of

Ontario last fall. I am reading from the Canada Tax Service of November 25, 1966:

> Contrary to what had previously been regarded as the rule under the secrecy provisions of the Income Tax Act, the Ontario Supreme Court on November 23rd in the case of Bazos *v.* Bazos ordered the taxation division to produce in court Bazos' 1957 to 1962 income tax returns in a civil case involving the contesting of Bazos' will by his nephew.
>
> Under earlier jurisprudence the taxation division had been held entitled to refuse to produce tax returns except in criminal proceedings. However, Mr. Justice W. J. Henderson based his findings on Section 133(4)(c) which was added to the Act last year and which permits the communication of information to "any person otherwise legally entitled thereto."
>
> On the production of the returns the next day the court agreed to relieve the tax official of any penalty for which he might be held liable under Section 133 for communicating the information.

Some time ago I raised a question in the house about the secrecy which attaches to information in possession of the Department of National Revenue and the Minister of National Revenue suggested to me then that the procedure would be amended by the bill now before us. On reading the amendment which is contemplated I find it really does nothing to increase the confidentiality of this information. Indeed, it increases the number of people in the department who can give this information to outsiders, to "authorized people"—and that phrase, as I say, is not defined.

I believe we are departing from the old concept of confidentiality and in my opinion it is not necessary to do so. The minister could spell out in the act itself the people to whom this information is available and not leave it in general terms as is now down. We have seen one case in which income tax files have been used in a civil court. This could set a precedent for future orders by courts for the production of income tax files, possibly for the most frivolous of reasons. We can expect all the records of the department to become a completely open book, and to this I object.

Mr. K. H. More (Regina City): Mr. Speaker, may I say at the outset that I am disposed to vote against this omnibus bill unless the minister provides very clear explanations of some of its provisions when we come to the clause by clause study. I do not wish to repeat the arguments which have already been made but it seems to me that the clause dealing with section 79C has far reaching consequences so far as profit sharing plans are concerned and the initiation of plans of this nature in the future.

[Mr. Ballard.]

• (4:40 p.m.)

Very often many small business firms are closely held within a family or between partners or a very limited number of associates. Concerns of this type often have a group of very loyal employees who, because of the attitude of their employer, continue working for that firm. Under section 79C there was a provision that funds could be set aside by the company to enable these employees eventually to obtain an interest in the company for which they worked and in whose growth they were very interested. I believe one of the legitimate purposes of this section was to permit a company to develop a fund of money drawn out of earnings before taxes which would enable the principals of the company to dispose of their interest in the company in favour of employee groups.

I am not a lawyer and am not in a position to argue the matter from a legal viewpoint, but I believe the minister knows from the correspondence I have had with him that I have some knowledge about some plans which unfortunately were not in a position to be registered before the minister put a freeze on them. In particular I have knowledge of a plan involving a locally owned concern with 30 to 40 employees. Because of the age of the principals the company started to develop a plan in 1965. The first draft of the plan was submitted at that time. Its purpose was perfectly legitimate. It would have resulted in these 30 to 40 employees being able to take over this concern and continue to operate it as the principals. Most of these employees have worked for this firm for many years.

As I read the bill it seems to me that it practically eliminates the proposal which would have accomplished what this company and the employees wished to achieve. As I see it, when the time comes that this very good company must dispose of its assets the result can only be that the employees will not be in a position to acquire these assets. This may result in the company being swallowed up by one of the giants in the industry in which it operates, or it could be that this company might become a small base, and it would be a small one, from which foreign interests might get into this field and build a giant.

I have no objection to the intent of this legislation to cure the abuses which arose when these provisions were made use of by some daring individuals, as I believe the tax foundation put it. I do not object to the closing of these loopholes. I feel very strongly, however, that the minister has gone so far in

this massive volume of amendments that he has almost eliminated the benefit under this section. I believe that the result will be that very few companies will even think about profit sharing plans of the type I have outlined.

There is one thing I find very difficult to understand. These plans required registration and there were guide lines which had to be followed. In the case of the company I have particularly in mind their first submission as I say, was in May of 1965. They were asked by the department to make certain changes. They revised the plan, made the changes, met the guide lines and submitted the plan again. There was a delay of six months after their last submission and by the end of 1966 the plan still had not received registration while other plans had. In this case I have every reason to believe that all the requests of the department were met in full. It was a legitimate plan so that the employees would be able to take over the company from the principals involved. I do not know what was the reason for the long deferment of registration but this company did not receive registration and therefore was subject to the freeze.

I have been in communication with the minister concerning this case. When I wrote to him the last time I asked him about the position this company might be in in view of the fact almost two years had elapsed. The minister stated in his letter:

> I have received your letter dated January 13 asking about the new rules for deferred profit sharing plans.

I did not ask the minister about the new rules. I asked him whether he could give me some indication of the position this company was in in respect of the proposed plan in view of the fact that at the end of the first year they were permitted to operate as though the plan had been registered. The minister did not really answer the question I put to him. I can only draw the conclusion that this company is now in the position that this plan cannot be of benefit to the employees in the way it had been hoped it would be when the first presentation was made. It may be in their interests to drop the plan completely. I think this is a mistake.

I may have misunderstood the proposed amendments but I cannot see that they do other than eliminate some plans already in force or which may be in the process of being prepared. Surely it is in the interest of the country and the employees that plans of this nature be legitimatized and registered. If the object of any proposed plan is against the intent of the section, surely because of the registration provision the minister has every opportunity to see that the section is not misused.

With regard to insurance I think we all recognize that the purpose is to provide for the eventuality of the death of one of the principals. One of the purposes of the trustees in investing in life insurance is that in the event funds will be produced through the policy to enable the employees to secure their interest in the company. This was the basic idea in respect of the plan at its inception.

The retroactivity provided for by this bill would seem to have far-reaching consequences. Surely the minister could accomplish what he has in mind in some other way. Improper practices which have been followed up to now could be eliminated from this date onward. It would seem to me that this would close the gap and would not create any undue hardship in respect of present plans. I believe it would have the desired effect. But the minister has gone further than that in his proposed legislation.

• (4:50 p.m.)

There is another clause which I believe will have much to do with whether a plan will or will not succeed. If a plan is intended for the purpose I have outlined, to enable a group of employees to become the owners of a business, then I agree with it. However, some companies have started in a small way, have retained profits to build up and extend operations, and have not paid dividends. The requirement that they can only pay dividends after five years will eliminate the effect of funds set up for the purpose of employees acquiring ownership of companies and will deny these employees that privilege.

When we reach the clause by clause study of the bill I hope the minister will, in explaining his proposal, remove the fears some of us have in this connection.

Mr. Deputy Speaker: If the Minister of Finance speaks now he will close the debate.

Hon. Mitchell Sharp (Minister of Finance): Mr. Speaker, I shall attempt to deal briefly with some of the points raised. Some of them will require an extended explanation and I will reserve such for the committee stage.

I entirely agree with those who have spoken today and said that this is very complicated legislation. Indeed, I was horrified when my officials first placed before me the amendments they felt were necessary in order to

enable deferred profit sharing plans to accomplish their purpose. Having gone over those amendments I am satisfied they are necessary and very much in the public interest. Before dealing with that particular subject let me answer some other questions that were raised.

The first specific question asked was whether the government or the minister had met with the shipbuilding industry. The answer is yes. We have discussed with that industry generally, as well as with specific companies, the application of the law as amended by this bill and by other legislation already approved of or announced by the Minister of Transport (Mr. Pickersgill). Perhaps I should give a short statement at this time in respect of the Canadian Vessel Construction Assistance Act and the effects of the bill now before us on that act.

The Canadian Vessel Construction Assistance Act was enacted in 1949 to provide special tax measures to encourage the construction and conversion of vessels in Canada. In January 1966, the Minister of Transport announced changes in the government program to assist the shipbuilding industry. This announcement stated that the provisions of the Canadian Vessel Construction Assistance Act permitting the exemption from taxable income of recaptured capital cost allowances would be discontinued although the rapid depreciation provisions of the act would be retained. Since the Canadian Vessel Construction Assistance Act has to be amended as a result of this new program for shipbuilding assistance and since it is an act which deals entirely with income tax matters it seems sensible to move those of its provisions which are to continue to have effect into the Income Tax Act and regulations. Accordingly, the bill provides that the Canadian Vessel Construction Assistance Act shall be repealed and that its provisions that are to continue to have effect shall be added to the appropriate sections of the Income Tax Act.

Several speakers have referred to clause 21 of the bill in which it is provided that an individual who is required by the act to file a return of his income for a taxation year, unless he has previously been assigned or made application to be assigned a social insurance number, must apply for a social insurance number in order to facilitate the administration of the Income Tax Act. To some degree I understand the objections to the extension of the number state, but I really do not see why there should be any objection to simplifying the system. If we do not use the same numbers we must use different numbers. For the efficient administration of government legislation these days it is almost a necessity that each of us have a code number. From the point of view of better administration of the Income Tax Act it is more appropriate that the same number should be used for that purpose as for social insurance purposes; otherwise there will be more confusion and more expense.

In this regard, if hon. gentlemen opposite object to each of us having a number then they ought to object even more to each of us having several numbers, and that is the alternative we face. While I understand the objection in principle to the regimentation now upon us as a result of the nature of our modern society, I do not believe that objection can be extended to a single number rather than several.

The hon. member for Medicine Hat (Mr. Olson) asked a question about federal-provincial abatements and wanted to know whether these abatements were consequent upon agreements with the provinces or something now being introduced at this time. Let me say that the amendments have two purposes. The first is to re-enact the abatements that expired at the end of 1966, and the second is to include any abatements which result from recent negotiations with the provinces.

Let me now refer to the deferred profit sharing plans and the very complicated provisions of this bill. Perhaps it would help the house if I were to outline in simple language the nature of the legislation. There is a great deal to be said for profit sharing plans. Indeed, some people look upon them as the answer to employer-employee relations, although they have not been able to convince the whole world in this regard. Neverthless, those who do practise profit sharing plans consider them to be very successful.

• (5:00 p.m.)

It is my belief that the government was wise some years ago to recognize such plans and provide for their regulation. It is one thing to have a simple profit sharing plan under which the employer each year decides he is going to distribute a share of his profits to his employees. If that were the situation we faced it would not require such complicated legislation. The fact is, however, that profit sharing plans have become more and more complicated, and they have become more and more complicated, I suggest, for three reasons. First of all, it was soon realized that

profit sharing plans would be of greater advantage if they could be used to provide some continuity in the relationship between the employer and the employee. That is why the idea of deferred profit sharing was introduced. Many plans began to emerge in which the profit sharing was not out of current profits but amounts were set aside and were made available after a period to those employees who had remained with the company for the stipulated period. This is the first complication.

The second complication is that these deferred profits when distributed could be used to purchase shares in the company itself. This introduced complications of quite a different kind into the administration of these plans. A third complication is that they became associated with pension plans. In many cases payments were converted into annuities payable at the time of the retirement of the employee from his employment. When my predecessor Hon. Donald Fleming introduced back in 1960 and 1961 the provisions in the legislation relating to these plans he had, I believe, a rather simple idea of the scope of these plans and their administration. The legislation that was presented to the house at that time reflected rather simpler concepts than eventually emerged. It is important that there should be some safeguards in these plans because what is in fact happening is that companies are being relieved of tax on a share of their profits supposed to be paid by them to employees.

Mr. Lewis: Paid to them or allocated to them.

Mr. Sharp: Paid to them or allocated to them. They should become taxable when they emerge as part of the income of the employee. I am informed, and I have seen some evidence on this score from my officials, that these plans began to be perverted; they began to be used as means of avoiding tax. That is why it was considered of importance that there should be some sort of uniform and restrictive rules applied to them. Otherwise, as has been related to me, it is possible for an employer to put large amounts of money into these plans upon which tax is never paid, or alternatively to put large sums of money into plans which do not benefit the employees who are supposed to have shared in the profits of the company but which inure to the benefit of friends of the employer who are put on the payroll simply as a means of sharing in the sum set aside in the trust, which was originally intended for the employees but finally emerged in the hands of special shareholders, the wife of the employer and so on.

It has been suggested that by applying these rules to existing as well as to new plans we are somehow or other being retroactive. I do not think I would bring before this parliament rules that would apply only in the future because in fact these plans are continuing and I could not permit plans to continue under the old rules when I applied the new rules to plans that might emerge hereafter. I do not consider it is retroactive any more than I consider retroactive the changes that are made from time to time in pension legislation which have an effect upon the sums that are set aside in a pension plan by the employer for the benefit of the employee. I am bringing forward, indeed—I hope in a day or so—legislation that will affect pension plans in undertakings that are subject to the jurisdiction of parliament. I do not consider that I will thereby be introducing retroactive legislation. I intend to affect the operation of those plans by making them portable in the future. The provisions will apply not only to existing plans but to those which may be introduced in federal undertakings hereafter. Mr. Speaker, these are the only comments I have to make at the present time. I shall be very happy when we come to the clause by clause discussion to amplify upon this explanation.

Mr. Deputy Speaker: Order. Is it the pleasure of the house to adopt the said motion?

The house divided on the motion (Mr. Sharp), which was agreed to on the following division:

YEAS

Messrs:

Addison	Clermont
Allard	Comtois
Andras	Côté (Longueuil)
Asselin (Richmond-Wolfe)	Côté (Nicolet-Yamaska)
Badanai	Crossman
Barnett	Davis
Batten	Deachman
Béchard	Dionne
Berger	Émard
Blouin	Éthier
Brewin	Faulkner
Byrne	Fawcett
Cadieux (Terrebonne)	Foy
Cameron (High Park)	Gendron
Cameron (Nanaimo-Cowichan-The Islands)	Gilbert
Cantin	Godin
Cashin	Goyer
Chatwood	Gray
Chrétien	Greene
	Grégoire
	Guay

Division

Habel
Harley
Hellyer
Herridge
Hopkins
Howard
Hymmen
Isabelle
Johnston
Klein
Knowles
Lachance
Laflamme
Laing
LaMarsh (Miss)
Lamontagne
Langlois (Chicoutimi)
Laprise
Latulippe
Laverdière
Leboe
Legault
Lessard
Lewis
Lind
Loiselle
Macaluso
MacEachen
Mackasey
McIlraith
McNulty
McWilliam
Marchand
Martin (Essex East)
Martin (Timmins)
Matheson
Matte
Mongrain
Neveu
Nicholson
Olson
Orange
Orlikow
Otto
Patterson
Pearson
Pepin
Peters
Pilon
Prittie
Prud'homme
Reid
Richard
Rideout (Mrs.)
Robichaud
Rochon
Rock
Roxburgh
Ryan
Sauvé
Schreyer
Sharp
Simard
Stanbury
Stewart
Tardif
Teillet
Thomas (Maisonneuve-Rosemont)
Tolmie
Tremblay
Tucker
Turner
Wahn
Watson (Châteauguay-Huntingdon-Laprairie)
Winch
Winters
Yanakis—117.

NAYS

Messrs:

Aiken
Alkenbrack
Asselin (Charlevoix)
Ballard
Bell (Carleton)
Brand
Cantelon
Chatterton
Churchill
Coates
Crouse
Danforth
Diefenbaker
Dinsdale
Enns
Fane
Flemming
Forbes
Fulton
Grills
Gundlock
Hales
Harkness
Horner (Acadia)
Howe (Wellington-Huron)
Kennedy
Kindt
Korchinski
Lambert
MacEwan
MacInnis (Cape Breton South)
MacLean (Queens)
Macquarrie
MacRae
McCleave
McIntosh
McKinley
McQuaid
Madill
Monteith
Moore
Muir (Cape Breton North and Victoria)
Nasserden
Nesbitt
Noble
Nowlan
Nugent
Ormiston
Pascoe
Pugh
Rapp
Régimbal
Ricard
Simpson
Smallwood
Smith
Southam
Starr
Stefanson
Thomas (Middlesex West)
Valade
Wadds (Mrs.)
Webb
Winkler—64.

[Mr. Deputy Speaker.]

• (5:30 p.m.)

Mr. Speaker: I declare the motion carried.

Mr. More: Mr. Speaker, I was paired. Had I voted I would have voted against second reading.

Mr. Rynard: Mr. Speaker, I was paired with the hon. member for Brantford (Mr. Brown). If I had voted I would have voted against the motion.

Mr. Skoreyko: Mr. Speaker, I was paired with the hon. member for Victoria (B.C.) (Mr. Groos). Had I voted I would have voted against the motion.

Mr. Irvine: Mr. Speaker, I was paired. Had I voted I would have voted in the negative.

Mr. Bigg: Mr. Speaker, I was paired. Had I voted I would have voted in the negative.

Mr. Fairweather: I was paired, Mr. Speaker. I would have voted against the motion.

Bill read the second time.

PROCEEDINGS ON ADJOURNMENT MOTION

SUBJECT MATTER OF QUESTIONS TO BE DEBATED

Mr. Speaker: Order. I must advise hon. members of the adjournment proceedings this evening. The hon. member for Charlevoix (Mr. Asselin), Canadian Broadcasting Corporation; the hon. member for Berthier-Maskinongé-Delanaudière (Mr. Yanakis), Health and Welfare—request for health warning on cigarette packages; the hon. member for Macleod (Mr. Kindt), Canadian Broadcasting Corporation.

INCOME TAX AMENDMENT

INCORPORATION OF PROVISIONS ANALOGOUS TO THOSE IN CANADIAN VESSEL CONSTRUCTION ASSISTANCE ACT

Hon. Mitchell Sharp (Minister of Finance) moved that the house go into committee to consider Bill No. C-259, to amend the Income Tax Act and to repeal the Canadian Vessel Construction Assistance Act.

Motion agreed to and the house went into committee, Mr. Batten in the chair.

On clause 1.

Mr. Monteith: Mr. Chairman, I am assuming that the minister is going to give some explanation of this clause.

Mr. Sharp: Mr. Chairman, subclause 1 of clause 1 is intended to make clear what must be included in income as superannuation or pension benefits. It repeals the subparagraph which refers only to "superannuation or pension benefits" and introduces in its place a longer subparagraph which makes clear that income includes a pension or supplement under the Old Age Security Act and the amount of any similar payment under a provincial act. It makes clear that income includes the amount of any benefit under the Canada Pension Plan or a provincial pension plan. It also makes clear that the expression "superannuation or pension benefits" does not include any social assistance payment made on a means or a needs test basis under a prescribed program provided for by a federal or provincial act.

• (5:40 p.m.)

The important change made by this amendment and that provided by clause 2 is that certain social assistance payments need no longer be included in income. It is expected that prescribed programs would include payments under the Canada Assistance Plan, blind persons pensions, disabled persons pensions and provincial old age assistance payments. Section 10 of the act already provides exemption for a number of payments of this class.

Mr. Monteith: What about the additional $30 beyond the $75 old age security payment?

Mr. Sharp: That will be income and will be taxable.

Mr. Knowles: What about payments under the Canada Assistance Plan?

Mr. Sharp: Payments under the Canada Assistance Plan will not be taxable.

Clause agreed to.

Clause 2 agreed to.

On clause 3.

Mr. Monteith: I would ask the minister about this clause. Would he comment on the deductibility of interest that may be payable by a taxpayer on grants received by him under the program for the advancement of industrial technology or under the northern mineral exploration assistance regulations?

Mr. Sharp: I am sorry. I did not catch which clause the hon. member referred to.

Mr. Monteith: I was referring to clause 3, subclause 1. I refer to clause 3 in general.

Mr. Sharp: I am sorry. Have we passed all of clause 1?

An hon. Member: We are on clause 3 now.

Mr. Sharp: Subclause 1 of clause 3 provides for the deduction of interest that a taxpayer may be required to pay when he has to repay a grant received by him under the program for the advancement of industrial technology or under the northern mineral exploration assistance regulations. It is part of the arrangement that a company which receives a grant under the latter program or under the PAIT program shall have to repay the grant if the company sells or uses commercial products resulting from the research project. Grants made under the northern mineral explorations assistance regulations have to be repaid where the exploration project is successful. Interest has to be paid on the amount of the grants in each case to the date of repayment. This provision is for the deduction of such interest.

Clause agreed to.

Clauses 4 and 5 agreed to.

On clause 6.

Mr. Olson: Clause 6 appears to deal with payments to dental mechanics. On page 9 of the bill these are the words, "in respect of ...constructing and furnishing of a complete upper or complete lower denture."

I wonder why the word "complete" appears. Nothing is said about partial dentures or about repairs to dentures. Such things are excluded. If my interpretation of this clause is correct, what is the explanation for this? Is this clause not restrictive? It seems to me that sometimes the cost of a partial denture is greater than the cost of a whole denture. It may be a greater burden on the taxpayer. Should he not be allowed payments he has made for partial dentures or for repairs to dentures? This clause seems to exclude everything except a payment for a complete upper or a complete lower denture.

Mr. Sharp: The hon. member for Medicine Hat has raised a question that is unprecedented. The only case we have had has been in Alberta. We thought we had dealt with the situation adequately.

Mr. Lewis: The minister could not get his teeth into it.

Mr. Sharp: The provision covers both the making and repairing of dentures, of course. We have not had problems about what might be called partial dentures. We were not trying to exclude anything. This particular matter had arisen and we felt we had to make provision for it.

Mr. Olson: If that is so then I suggest that the minister move an amendment deleting the word "complete" which appears four times in the clause. I notice the clause says:

> to a person authorized under the laws of a province to carry on the business of a dental mechanic, for the making or repairing—

That wording is satisfactory. The clause refers to a complete upper or a complete lower denture and then goes on to say:

> —or for the taking of impressions, bite registrations and insertions in respect of the making, producing, constructing and furnishing of a complete upper or complete lower denture,

If the minister accepts my argument the problem can be solved, I suggest, by deleting the word "complete" from the four places where it appears.

Mr. Sharp: May I say a word in explanation and also give the background of this amendment. The amendment provides that amounts paid to a dental mechanic for making or repairing dentures shall be classed as a medical expense for purposes of the act. Medical expenses in excess of 3 per cent of a taxpayer's income are deductible in computing taxable income.

Section 27(1)(c) of the act now provides that payments to a dentist qualify as medical expenses. This has covered payments made to a dentist for dentures, bridgework, etc. In some instances dentures are purchased by users from a certified dental mechanic and where such dentures may be supplied only upon the authority of a certificate issued by a dentist or medical practitioner the Department of National Revenue has taken the broad view under the existing law that the certificate was tantamount to a prescription and accordingly the payment to the certified dental mechanic for the dentures qualified under section 27(1)(c)(viid) as being the cost of prescribed laboratory services. If the person purchasing dentures from a dental mechanic does not have such a certificate the cost does not qualify at present as a medical expense.

[Mr. Sharp.]

With effect from March 31, 1965, the certified dental mechanics act of the province of Alberta was amended to delete the requirement that a certified dental mechanic could not make a denture unless the prospective user had a certificate from a doctor or dentist. As a result the district tax offices in Alberta concluded that they could no longer classify payments to a dental mechanic as medical expenses under existing law. It therefore became necessary to amend the existing law. I give this explanation to inform the hon. member and the house of the purpose of the amendment. It was to deal practically with an issue which had arisen.

• (5:50 p.m.)

Mr. Olson: I appreciate that explanation, but it seems to me that by leaving the word "complete" in the clause we are attempting to impose medical standards by means of the income tax law. I note what the minister has said about the regulations of the Alberta department of health concerning the certificates required by dental mechanics before they may fit dentures. In my opinion it is the responsibility of the department of health, whether federal or provincial, to impose standards of service upon these dental mechanics. It is unfair and unnecessary to attempt to impose these restrictions by means of amendments to the Income Tax Act.

In my view it is the responsibility of the people in the department of health to enforce the law with regard to what a dental mechanic may or may not do. I know that dental mechanics need certificates from qualified dentists giving a clean bill of health, if I may use that phrase, to their patients, and that these certificates must be presented to the mechanics before dentures are made. I know too that in some cases dental mechanics can and do provide something less than a complete upper or lower denture. They do this to the satisfaction of their patients, sometimes at a substantially lower price.

I should therefore like to move:

> That the word "complete" where it appears in lines four, eight and nine be deleted from clause 6 in the paragraph which appears at the top of page 9.

Mr. Sharp: I wonder whether the committee would allow this clause to stand? If we happen to have a little time over the dinner hour we might make some inquiries about this point. We are dealing here with the taxation of medical expenses. Ordinarily, dentists provide dental services. However, in this case

it is now found that a certified dental mechanic can provide dentures without a prescription.

Mr. Côté (Longueuil): Where?

Mr. Sharp: In the province of Alberta. We have not encountered any case where a dental mechanic was permitted to deal with the patient directly when providing other than a complete denture. It is important to remember that this concerns medical expenses and is an exception from a rule which has hitherto been in the law. There must be some rules about this as we have found when dealing with many other examples of similar expenditure throughout our tax legislation.

Mr. Lewis: What in fact would be less than a complete denture? Is the minister certain that it has to be a denture including every tooth in the mouth? Is it also a complete denture if the frame is across the mouth? I do not know from personal experience.

Mr. Côté (Longueuil): A complete denture is a denture that replaces all the teeth either of the upper or lower jaw. A partial denture replaces only a few of the teeth but is also removable. A bridge is fixed; it is soldered to crowns which are cemented to natural teeth.

Mr. Lewis: I would hope for the same consideration in respect of partial dentures. I do not see why a person should have all his teeth knocked out before he can get this benefit.

Mr. Olson: It is possible to have a partial denture which is removable. There are patients who retain some of their original teeth and are fitted with a partial denture which is removable and is not very different from a complete or full denture. I am therefore apprehensive about this provision as it stands. Authorization of dental mechanics to provide these dentures is a relatively recent action as far as some provinces are concerned, notably Alberta. The provinces may or may not have additional means of ensuring that the standard of work will be satisfactory. I am sure they will. In my view it would be a mistake to write into the tax laws something which is completely taken care of by the medical people in the department of health.

However, the Minister of Finance has agreed to let this clause stand. Perhaps we can look at it again after dinner and if there are technical or legal reasons why these words should appear in the clause we can be told what the situation is. In the meantime I am still of the opinion that the word "complete" wherever it appears should be omitted from this clause for the reasons I have given.

The Chairman: Does the committee agree that clause 6 be allowed to stand?

Some hon. Members: Agreed.

Clause stands.

Clauses 7 to 12 inclusive agreed to.

On clause 13.

Mr. Sharp: Last evening during the discussion on second reading I distributed to hon. members copies of certain proposed amendments I intended to have moved. The first of these is to clause 13. These amendments were, I believe, also printed as an appendix to *Votes and Proceedings*. I have not checked to find out whether this was done.

• (6:00 p.m.)

The first of these amendments is to make a technical change which refers to the application of clause 13. The present subclause provides that the amendment is applicable to 1962 and subsequent taxation years. The proposed change would make the amendment applicable to the 1962 to 1966 taxation years, each inclusive. Therefore I should like to ask my colleague, the Minister without Portfolio, to move that clause 13 of Bill No. C-259 be amended by striking out subclause 3 on page 14 and substituting therefor the following:

(3) This section is applicable to the 1962 to 1966 taxation years, each inclusive.

Mr. Turner: I so move.

Amendment agreed to.

Clause as amended agreed to.

On clause 14—*Definitions.*

Mr. Ballard: Mr. Chairman, I should like to put forward two suggestions for the consideration of the minister in respect of clause 14. I refer first to subclause 4 at the top of page 15 where an employer is allowed to make payments into a supplementary unemployment benefit plan within 30 days after the end of the year. I am speaking from memory now but I believe that in section 79B there is a provision that payments can be made into a retirement pension plan up to 60 days after the year end. I also notice that in section 79C the period is 120 days after the year end. I suggest to the minister that in order to make it easier to remember these dates the three dates should be in harmony. In other words, I suggest this clause should be amended to read

"60 days" after the end of the year. That is one point.

The other point I have in mind has to do with subsection 3 of clause 14 on page 15. It says that subsections 1 and 2 of section 79A, as enacted by subsection (1), are applicable to the 1966 and subsequent taxation years. To my mind this is certainly retroactive legislation. I am wondering whether the minister would consider changing "1966" to "1967" so that it will become effective on the first of January, 1967?

Mr. Sharp: Mr. Chairman, may I deal with the first of these points while my officials are thinking about the second. The reason for the difference in time and for the longer period in clauses other than the one under discussion is that in respect of registered supplementary unemployment benefits the payments are not dependent upon income. So there is no need for any time to elapse before payments are made.

Mr. Lewis: Mr. Chairman, may I ask the minister what practical difference would be made by this clause? I do not object to it. It has always been my understanding that before payments into a fund for supplementary unemployment benefits are deductible for income tax purposes approval must be obtained from the Minister of National Revenue and that it cannot be done without such approval. As I understand it, this really would not change anything in practice except to formalize it. Am I right in my understanding?

Mr. Sharp: I do not expect it will make any practical difference. In fact these plans did not have to be approved and we are now bringing them under a process of approval. Now they have to be registered whereas previously that was not the case.

Mr. Lewis: Mr. Chairman, I should like the record to be clear. Perhaps the minister could obtain the information. My experience in respect of one or two cases has been that the employer in negotiations said that before he could agree to such a plan he would have to make certain from the authorities in Ottawa that his payments would be deductible for income tax purposes. He may have done this informally by verbal conversation or through informal letters, but it always has been my impression that he had to obtain such approval.

Mr. Sharp: My information is that it would of course be prudent for a taxpayer to do that. In fact there were no formal requirements for the registration of supplementary unemployment benefit plans.

[Mr. Ballard.]

Clause agreed to.

On clause 15—*Profit sharing plan.*

Mr. Fulton: Mr. Chairman, first of all I should like to ask the minister whether I am correct in my understanding that from now on a deferred profit sharing plan will not be approved if the arrangements thereunder consist primarily of the use of payments into the plan to pay the premiums on insurance policies on the life of the principal shareholder or shareholders, with a further provision that on the death of that shareholder the proceeds of the insurance policy will be applied by the trustee toward the purchase of the shares of that shareholder and their distribution among the employees who are the beneficiaries under the plan.

I understand from my reading of the act and from discussion with persons who have made a study of this field that insurance in respect of this type of profit sharing plan will no longer be approved in that the insurance policy will not be a qualifying investment and will be so characterized. I am wondering whether I am right in this, and if so on what reasoning this decision is based.

Mr. Sharp: Mr. Chairman, the reason I am a little uncertain in replying is that I think most of these provisions come up in clause 19 rather than in clause 15. I hope I do not have to repeat the explanation later.

Mr. Fulton: I understand that clause 19 primarily contains what I might call divesting provisions which require plans that will no longer be approved, although they have been approved in the past, to divest themselves of certain of their assets. Certainly it is my impression of clause 15 that it lays down the new specifications in respect of what can be done under approved plans.

• (6:10 p.m.)

Mr. Sharp: Let me direct the hon. gentleman's attention to pages 21 and 22 of the bill and the new section 105K (6) (a). There are references to the acquisition of an interest in or the payment of an amount under a life insurance policy and the disposition of the interest. At page 22 the rules in respect of insurance policy investments are laid down. That might be the more appropriate clause under which we should discuss this subject.

Mr. Fulton: I have no objection to deferring the question until we reach consideration of that part but I should like to relate my other question which is of a general nature, to clause 15.

Clauses 15 and 19 are the two main clauses in respect of profit sharing plans. At this stage I should like to ask on what basis or principle the minister has rested the position that not only should this legislation provide that profit sharing plans which in the view of the government are being used to evade income tax to an unwarranted extent should not be able to carry on in the future but should also force certain plans to divest themselves of assets previously acquired under government approval. In other words, why does the minister insist on a retroactive effect? Why does he not confine the legislation to the future?

Mr. Sharp: I think it is the desire of these profit sharing plans to carry out their obvious intention, to enable the distribution of companies' profits to employees. That is the fundamental purpose of these plans and as such they have a great deal of merit. Some of these plans have been used as substitutes for pension plans. When we regulate in respect of pension plans we are extremely strict. If the hon. gentleman feels we are being too strict about deferred profit sharing plans he need only look at the registration or approval of pension plans to realize that the government in the interest of the taxpayers must be very restrictive as to conditions under which payments to pension plans are deductible from the incomes of taxpayers. Some of these deferred profit sharing plans are being used as substitutes for pension plans, and we cannot permit that to happen without undermining the whole purpose of our program in respect of pension planning. It is in line with that thought that we have laid down rules which, after all, relate to the deductibility of these payments from the taxable income of the company that is earning the profits.

That is the starting point. In the interest of tax equity we have to be sure that if these payments are deducted at one end they come out of the other as being taxable in the hands of the employees. It is perfectly proper that we should do this. I have observed enough of the ways in which these plans can be used to pervert the intention of parliament to come to the conclusion that it is essential to regulate them in such a way. It is also my belief that we should endeavour to change these plans by imposing certain penalties for non-compliance with the rules.

As the hon. member is no doubt aware, we have provided for transitional periods in order that transactions can be unwound and can be brought into line with the principle the government is attempting to apply.

Mr. Fulton: Mr. Chairman, I submit that the minister has not answered the question I asked. I am not challenging the suggestion that profit sharing plans must be required to conform to the purposes for which they were instituted, or that the legislation under which payments to the plans are deductible from income must be strictly drawn. A responsible minister of finance is constantly faced with the task of plugging loopholes and the institution of legislation to prevent the possibility of abuse. But that is not to say that this legislation which imposes retroactive penalties in respect of approved and registered profit sharing plans instituted some years ago, is not objectionable.

For the minister here is not only saying that these plans must not operate that way in the future; he is saying that they must now divest themselves of those investments they acquired quite legally and with approval in the past. Why does the minister not confine the legislation to the future rather than making it so harshly retroactive?

Mr. Sharp: Mr. Chairman, I must return to the proposition I placed before the house earlier. In some cases at least these plans have been used for a purpose for which they were not intended. It is true that the legislation was valid, but because we failed to foresee the ingenuity of taxpayers is not a reason we should not prevent them from continuing to do so. The fact is that plans not operating in accordance with the rules now laid down are not in fact distributing the profits to the employees. They are being used for other purposes, and I believe we should bring a stop to this practice. In order to do so I believe we should now apply penalties to prevent these subversive purposes.

It was not the intention of parliament and certainly not the original idea of profit sharing plans that they should be used to enable someone other than a bona fide employee to benefit from accumulated tax free funds. Some of these funds are being used to the benefit of employers' wives or preferred shareholders. Certainly that was not the intention. If we intend to deal effectively with

this problem we cannot permit plans to remain in existence which have the effect of using the device of profit sharing for such purposes.

Mr. Fulton: Mr. Chairman, again I must say that I have no objection to stopping the use of these plans for that purpose. I do not differ from the minister in saying that now the decision has been made we must stop them indulging in abusive practices. But the minister is not just saying that they may no longer continue that practice even though up to now they have been allowed to do it and in fact in the past it was not an abuse.

• (6:20 p.m.)

The minister used a word which I think was very revealing in this situation. He used the word "misconduct." I point out to him that it was not misconduct in the past; this practice was specifically approved. Yet when this legislation is passed we will define the past practice as misconduct and we will say to these employers: Your past conduct, which was valid at the time, is now misconduct. You must now undo it, and in addition we are going to penalize you now for doing something which the Minister of National Revenue approved in the past.

I am not suggesting that because the acquisition of this kind of asset was allowed in the past it should be continued. I say, make a cut-off in this respect, do not allow them to do it in future. But surely it is not necessary, in preventing abuses, to go back in time and penalize that which was not an abuse when it was done.

Mr. Lewis: Mr. Chairman, earlier today the hon. member for Kamloops suggested that my colleagues and I ought perhaps to support his objection to what he calls retroactivity. I may not be following him but it seems to me that the proposition he puts forward is really indefensible. He must agree, by implication, that there are often abuses in this connection because he says he agrees that the minister ought to take steps to plug the holes which enabled these abuses to take place. It follows therefore from his own statement, if I understood him correctly, that there have in fact been cases where a deferred profit sharing plan was used in a way not contemplated by the legislation.

If the minister uses the word "misconduct", I join him in using it. I am sure he did not mean it was misconduct in the sense of being a violation of the law. I would use the word misconduct as being a violation of the spirit of the law even though the words of the law were obeyed. If you admit that the intention of the law was violated and abused by setting up funds which did not carry out that intention, I cannot understand how anyone can propose that funds which were set up contrary to the intention of the law should be permitted to continue to be administered contrary to the intention of the law. This is precisely what the hon. member for Kamloops is proposing. This is why I cannot join him in his objection. I cannot weep for employers who have in fact abused the intention of parliament, have not paid attention to the needs of their employees but have used deferred profit sharing plans for other and what I would call without hesitation improper purposes.

I suppose that the law as it stood heretofore did not give the Minister of National Revenue any alternative but to approve plans which met the letter of the law even though they violated the spirit of the law. As I understand the minister's proposal, it is in three parts. The first is that the intention of the law be made very clear and that all plans in the future be made to comply with that law. The second is a recognition of the fact that there are now plans which result in abuses of the law in terms of not fulfilling the intentions of the law. The minister says to us, and I say without hesitation entirely properly and in the interests of equity, that those plans which have in the past abused the intentions of the law must be brought into line with the new rules that seek to impose the proper application of those intentions. Third, the minister says to the employer who has a plan which does not meet the new requirements, "I give you a term of years"—if I remember correctly it is until 1970, which is four years —"during which you must divest yourself of investments that do not meet the qualifications of this legislation, and you must adjust your plan to meet the present requirements which are intended to plug the loopholes through which you crawled in the past five years."

I cannot see that that is retroactive legislation. It seems to me that if you did not do that you would impose upon employers who introduced profit sharing plans tomorrow a set of strict rules which an employer who introduced a profit sharing plan yesterday would not have to obey. He could go on forever with a plan that violated the intentions of the legislation and the genuine intentions of profit sharing plans because he would have been lucky enough to get that improper

plan into existence before the holes in the legislation were plugged. That is why I could not agree with the hon. member and why the members of my party could not vote against the principle of the bill now before us. I personally, and I am sure this would apply to my colleagues, would have condemned the minister if he had permitted improper profit sharing plans to continue to be improper, which is what the proposal of the hon. member amounts to.

I think the minister is right in saying that from now on all profit sharing plans shall meet the requirements which will make them proper profit sharing plans. Those in the past which did not meet those requirements are now required to take steps to meet them. That is why I could not join the hon. member for Kamloops before, nor can I join him now. I urge upon the committee that the legislation on this point is surely right.

Mr. Leboe: Mr. Chairman, I wonder whether I could ask a question of the minister. Is the minister aware of any particular case where the application of the legislation he is presenting would cause the bankruptcy of a company because of the necessity of divesting itself of the interest and profit accruing from the fund, according to the provision before us?

Mr. Sharp: No, Mr. Chairman, I do not know of any such companies. Indeed, I would say that all bona fide profit sharing plans can with a minimum of adjustment fit within these rules. My officials have had extensive discussions with the companies which have profit sharing plans, and particularly with the well known and large ones. While these companies find some of the restrictions a little cramping and would prefer to have even greater freedom, nevertheless it is our belief that the profit sharing plans will continue and will flourish as they should.

Mr. Fulton: Mr. Chairman, I do not wish to take part in an extended debate with the hon. member for York South, but I think it is fair to point out to the committee that we have just heard a new and startling version, from perhaps the most prominent legal spokesman of the New Democratic Party, of their doctrine of the interpretation of statutes. That is, that the intention of a statute should be that which the hon. member ascribes to it, and not that which the courts have formed and which has been derived from the actual wording of the statute. This is, of course, a handy doctrine for the New Democratic Party should they ever come to power; but is part of the very principle to which I object.

Unfortunately the minister is also subscribing to that principle because he is saying through this legislation that that which was perfectly within the law and therefore was not an abuse of the law until now is, in his view, now an abuse of the law, because he ascribes an intent or meaning in the law which is not there in its wording. Therefore the minister is asking us to enact retroactive legislation to provide that that which was within the law and was specifically approved by his colleague the Minister of National Revenue now becomes retroactively illegal and invalid and must be undone.

• (6:30 p.m.)

No amount of casuistry from the hon. member for York South will convince me that this should be an acceptable principle. I repeat that I am in favour of changing the law prospectively, and saying that even though up to now this type of investment could be made in profit sharing plans, this cannot continue to be done and the operation of the plan in the future must conform to the requirements that are laid down. But it is unacceptable to say that a company must in addition divest itself of certain assets which it had purchased in the past and incur a liability by paying a tax on the proceeds of their disposition now, whereas its intention might have been to dispose of those assets some years from now.

However, it is obvious that we will not persuade the minister that the principle is more important than the dollars that will be gathered into the tax coffers as a result of the abuse of this principle. I maintain that this legislation is objectionable, and in my view the minister has not given any explanation as to why it is not appropriate to remove the retroactive effect of this legislation and let it speak prospectively with all proper severity and clarity. People should not be penalized because the law did not reflect what somebody now says it was intended to reflect.

Mr. Sharp: Mr. Chairman, I can understand the hon. gentleman's concern about the retroactivity of the legislation. However, I do suggest to him that we are not really violating this principle because if the plans do comply with the requirements laid down in the legislation no penalty is imposed. It is only if they do not, that they might then be subject to some tax penalty. But if they sell their investments and invest the proceeds for the benefit of the employees—and that is all

that is at stake here—then of course there would be no tax penalty.

May I say to the hon. gentleman that one can conceive of a situation where a company is not really establishing a profit sharing plan, its purpose being to get access to funds tax free. It establishes a profit sharing plan with a number of employees who are also shareholders and it pays certain sums into that plan. It has tame trustees. It then invests in the shares of a company, which in turn buys the bonds of the company that has established the profit sharing plan, and in the end the company that has established the profit sharing plan never pays the bonds. All that has happened is that the company has had the use of tax free funds without any benefit to anyone except the company itself and its shareholders, with a resulting loss to the treasury.

I do not see how such a situation can be dealt with unless there is a requirement that the company change its investments. The legislation may be retroactive, it may change, it may require that the company change its practices, but I do not believe that parliament is really doing anything improper when it requires such a company to divest itself of such shares and invest for the purpose of benefiting the employees.

I regret to say that the ingenuity of the taxpayer is such that plans such as I have outlined are possible. This legislation was first enacted for well-intentioned reasons, I am sure that my predecessor, Mr. Fleming, was persuaded that it was in the public interest to encourage profit sharing plans, and I believe that in his position I would have done the same thing. I would probably not have had the imagination to foresee the ways in which the purposes of these worthy plans could be perverted, but in fact they have been, and now it is necessary to enact legislation which requires that the plans be used for the purpose for which they were intended.

The method used to do this is not extraordinary, it is just a requirement to change the practices that I think we would all agree are not in the public interest.

Mr. More: Mr. Chairman, I understand we are on clause 15. I should like to ask the minister why an amount not greater than $1,500 has now been changed to $1,500 or 20 per cent of the salary or wages. I am aware of the fact that the company would have taken in the employees regardless of their salary scale on the basis of $1,500. It seems to me that this would have been of benefit to the lower paid employees who were getting paid for their job on a scale equal to that paid for similar jobs elsewhere, and they would not be discriminated against in the salary they were receiving. But certainly we have heard a lot about the average income of people in Canada and we know that every employee of the company does not receive at least $7,500 a year. It seems to me that if this 20 per cent maximum were not imposed under this legislation the legitimate proposals and plans would benefit the lower income employees.

Mr. Sharp: The explanation is that an employer may no longer deduct $1,500 in respect of contributions of employees such as relatives to whom he pays only a small salary. The present provisions were being abused and it was felt that there should be some relationship between the income or the salary being paid and the amounts contributed to the profit sharing plans. I shall have an amendment to propose which may go some distance to meet the legitimate concern of the hon. member for Regina City.

Mr. More: Does the minister have an amendment to clause 15 and does he intend to move it now?

Mr. Sharp: I will be very happy to move the amendment at this time. It appears in the *Votes and Proceedings* for last night. I will ask my colleague, the Postmaster General, to move the amendment, which reads as follows:

That clause 15 of Bill C-259 be amended

(a) by striking out line 25 on page 16 and substituting therefor the following:

becomes, before that time, a person who is not an employee of any;

(b) by striking out lines 36 and 37 on page 16 and substituting therefor the following:

to his estate, not later than 90 days after the earliest of;

(c) by striking out subclause (4) on page 17 and substituting therefor the following:

(4) All that portion of subsection (7) of section 79c of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefor:

Amount of employer's contribution deductible

"(7) There may be deducted in computing the income of an employer for a taxation year the aggregate of each amount paid by the employer in the year or within 120 days after the end of the year, to a trustee under a deferred profit sharing plan for the benefit of employees of the employer who are beneficiaries under the plan, not exceeding, however, in respect of each individual employee in respect of whom the amounts so paid by the employer were paid by him, an amount equal to the least of"

(5) Subsection (7) of section 79c of the said Act is further amended by striking out the word "or" at the end of paragraph (a) thereof, by adding

the word "or" at the end of paragraph (b) thereof and by adding thereto the following paragraph:

"(c) 20 per cent of the salary or wages paid in the year to the employee by the employer,"; and

● (6:40 p.m.)

(d) by renumbering subclauses (5) to (8) as subclauses (6) to (9) and by striking out subclause (9) on page 19 and substituting therefor the following:

(10) subsections (1) to (3) and subsection (9) shall be deemed to have come into force on December 21, 1966, and subsections (4) and (5) are applicable to taxation years commencing after that date.

Mr. Monteith: Does the minister have, in a few words, an explanation of paragraph (c) of this amendment?

Mr. Sharp: The hon. member asked about paragraph (c)?

Mr. Monteith: Yes.

Mr. Sharp: Paragraph (c) of this amendment would change subclause 4 on page 17 and introduce a new subclause 5. This is a relieving amendment. The present subclause 4 proposes that a new limitation be placed on the amount an employer may deduct as a contribution to a deferred profit-sharing plan. Under the present provisions of the Income Tax Act, the limit on the amount an employer may deduct in respect of each employee who is a beneficiary under the plan is $1,500 minus the amount deducted by the employer as a contribution under a registered pension plan in respect of that employee.

The present subclause 4 would introduce a new limit which would be 20 per cent of the salary or wages paid in the year to the employee. The purpose of this present subclause 4 is to prevent an employer deducting $1,500 in respect of contributions for employees to whom he pays only a nominal salary, such as relatives. As presently drafted, the limitation of 20 per cent of salary would apply to the aggregate of the contributions under a deferred profit sharing plan and a registered pension plan for a particular employee. The amendment to the bill now proposed would make the 20 per cent of salary a separate test that applies only to contributions under a deferred profit sharing plan. This is one of the reasons for my statement to the hon. member for Regina City that this amendment, to some extent, meets one of the objections he raised.

Mr. Ballard: I have one question. I believe when this section of the act was first introduced in 1961, old age pensions became payable at 70. I feel this is the reason that age 71 appears twice in the section. I was wondering if the minister should be considering making the termination of this plan, in so far as individual employees are concerned, match the date when the old age pension becomes effective? At this time that would be 67, and in two years' time it would be 65 instead of 71.

Mr. Sharp: I understand that age 71 is used to place an outside limit on the time the amount may be paid. It may of course be paid earlier than that, and age 71 had nothing to do with the Old Age Security Act but had to do with registered pension plans or retirement savings plans.

Mr. Côté (Longueuil): I move the amendment.

The Chairman: Shall the amendment carry?

Amendment agreed to.

The Chairman: Shall clause 15 as amended carry?

Mr. Fulton: On division.

Clause 15 agreed to.

On clause 16—*Extended meaning of drilling and exploration expenses and prospecting, exploration and development expenses.*

Mr. Olson: I should like to have some explanation of clause 16. It deals with the deductions from drilling and exploration expenses. As I understand the purpose of this amendment, one may deduct from these expenses any grants or any payments that are made under the northern mineral exploration assistance regulations. I am wondering if the minister can tell us if the result of the amendment would be that a profitable company which would be paying taxes would, in fact, have to reduce the total amount of grants that may be paid under the northern mineral exploration assistance regulations in completing corporation income tax payments for the year? If that is a correct assumption, then I have one or two other questions to ask.

Mr. Sharp: Mr. Chairman, as the hon. gentleman has pointed out, this amendment provides that drilling and exploration expenses, prospecting and development expenses of a taxpayer will be reduced by the amount of any grant received by him under the northern mineral assistance regulations, and will be increased by any repayment by the taxpayer of such grants. The northern mineral exploration assistance grants are grants paid to assist exploration for oil and minerals in northern

Canada. They are paid under regulations passed or approved under authority of an Appropriation Act, item 7A of the 1966-67 supplementary estimates. Grants may be paid to a Canadian citizen or to a corporation that is controlled by a Canadian citizen or to any corporation that has its common shares listed on a Canadian stock exchange. Grants are not paid to oil or mining companies that are eligible for special write-offs under section 23A of the Income Tax Act.

The grant may be paid to corporations formed for the purpose of exploring for oil or minerals in the north. The grant is up to 40 per cent of the accrued cost of the exploration project. The northern mining exploration and assistance grants are repayable if the exploration project is successful. The repayment may be spread over ten years or such other time as the company wishes or the minister of northern affairs decides. Interest is also payable on the repayment from the date of success.

Amendments to the Income Tax Act are necessary to clarify the tax treatment of the grants that are received, and the repayments. Without clarification, there is some possiblity that the repayable grants may be treated as loans which are forgiven if the project is unsuccessful. Such treatment would give unusual and unintended benefits to the taxpayer. The proposed amendments will provide that the amount received as a grant reduces the amount that may be claimed as drilling and exploration expenses. Any amount that is repaid would be taken to be a drilling and exploration expense. Clause 3(1) provides an amendment to allow the taxpayer to deduct interest on the repayment of these grants. This we have already approved.

Mr. Olson: If this amendment simply represents a tidying up of things to be done, some problems that have arisen, then it seems to me the effect may be to slow down exploration and development. It seems to me also that it is highly desirable that these Canadian companies which do, in fact, qualify for grants under the northern mineral exploration assistance regulations, should continue to have this advantage because, as the minister well knows, there is great risk involved in this kind of exploration and development. The minister has pointed out that these grants are not paid to other than Canadian companies. I have no disagreement with that. I believe a valid case can be made, with all this talk that is going on about foreign control of our resources, for the desirability of giving some advantage to Canadian corporations.

As I said at the outset, Mr. Chairman, I was asking for an explanation because I did not quite understand all the implications of this amendment. If the amendment is simply to tidy up some anomalies which may have come to light in the application both of the Income Tax Act and the northern mineral exploration assistance regulations, then I suppose it is acceptable. But if the effect of the amendment will reduce in any way the advantage that Canadian corporations have in this field of high risk exploration and development, then I want to tell the minister that I think it would be undesirable.

• (6:50 p.m.)

I do not think any new penalties are being imposed on Canadian companies, though of course this may be possible. There may be some foreign-owned companies which may, for example, have access to some special tax deduction privileges in the United States for this kind of development involving high risk. If Canadian companies are not at the same level of advantage under Canadian law as are foreign companies, so far as their home government is concerned, then I think the minister should give us an explanation and should make whatever adjustments are necessary to make certain that Canadian companies are at least on an equal basis with any foreign-owned company engaging in exploration and development.

Mr. Sharp: Mr. Chairman, I agree with the general sentiments expressed by the hon. member for Medicine Hat. These special grants were introduced specifically for the purpose of encouraging Canadian companies to engage in exploration in the north. Otherwise these advantages would, in effect, have been available only to large, foreign-owned corporations, and this would have been most unfair and certainly not in the interest of Canadian companies.

The only purpose of the amendment being made now is to avoid double counting to give an unintended benefit. It should be borne in mind that these allowances for exploration and drilling expenses can be carried indefinitely. Therefore, it would be quite possible unless we clarified the situation to make both the grant and the allowance, which is not what we intended and is not necessary to equalize the position of these new companies which are taking advantage of this legislation with the position of other companies already engaged in this business, companies which

have large incomes against which to write off their drilling and exploration expenses.

Mr. Olson: Mr. Chairman, I have some recollection of being advised that some United States companies enjoy a tax write-off or deduction privilege under United States law that in some cases puts them in a relatively advantageous position vis-à-vis Canadian companies in the matter of engaging in this kind of exploration in Canada. Therefore, Mr. Chairman, I should like to ask the minister whether or not he is aware that any of these foreign companies have an advantage for taxation purposes that is not enjoyed by Canadian companies under Canadian law at the moment.

Mr. Sharp: Mr. Chairman, I can recollect long arguments when I was an official about the relative tax positions of Canadian and American mining and oil companies. The argument continues and I expect it will continue. The Carter commission has only provided a new round of discussion and a new enthusiasm, of which I expect to be the beneficiary in the near future.

Mr. Olson: I appreciate, Mr. Chairman, that we now have this royal commission report on taxation and that when we have had sufficient time, and particularly when the minister has had time, to give the report appropriate study we may have some changes to make. But on this day, February 28, 1967, we have before us amendments to the law respecting income tax deductions for drilling and exploration expenses.

I should like to put my question again, and I do not think it is an exact repetition of the previous question. Has the government made any search of the law in this regard? We certainly have a vast assembly of foreign companies in Canada which in many cases are conducting this kind of exploration work. I would ask the minister whether the government is satisfied that Canadian companies are at least on an equal basis from the taxation point of view with some of the foreign owned companies with which, to some extent, Canadian companies compete. This competition gets to the point that if foreign owned companies have greater advantage than Canadian companies, the risk is such that they are more anxious to move in and undertake some of this high risk exploration work. However, Mr. Chairman, in the end if these companies find something worth while it is they who wind up with the assets.

It seems to me, Mr. Chairman, that the minister and his officials should have ascertained the position so as to make sure that by passing this amendment we are not putting any Canadian company in a relatively disadvantageous position in conducting this kind of work. Over the long range we want as many Canadian companies as possible to be involved in exploration, so that it is those companies that wind up with the assets if and when their efforts bear fruit.

Mr. Barnett: Mr. Chairman, I am rising to ask a question either of the hon. member for Medicine Hat or of the minister, so that we can at least understand what this discussion is about. As I understood it, the minister and the hon. member for Medicine Hat are agreed that the grants under the northern assistance regulations are available only to Canadian companies; I think I understood that part clearly.

What is puzzling me, in part at least, about the argument being advanced by the hon. member for Medicine Hat is this: By implication it almost seems that foreign owned companies must be receiving similar grants from government funds in their own country which they put into exploration in Canada. It seems to me that this is a rather strange procedure for another country to adopt. Have I got that straight or have I not?

Mr. Monteith: Seven o'clock.

Mr. Olson: Mr. Chairman, I think the hon. member has followed the argument. What I am asking the minister is whether he and his officials have ascertained whether or not Canadian companies are in a relatively disadvantageous tax position vis-à-vis foreign companies in the matter of drilling and exploration. I agree there is the possibility that there may be some double advantages under the act as it is now written and perhaps this amendment will tidy the position up. But the question that I posed was whether, by passing this amendment to the act, we would reduce the relative advantage of Canadian companies, which I say would be undesirable.

I am not suggesting, Mr. Chairman, that simply by making another amendment to clause 16 we equalize the situation, because other decisions may be made in this matter by other governments. But in the matter of exploration in Canada, Mr. Chairman, I believe that Canadian companies should have at least equal advantage.

The Chairman: Order. Pursuant to an order of the house made on Monday, February 20, I do now leave the chair. The committee will resume its work at eight o'clock.

SITTING SUSPENDED

SITTING RESUMED

The committee resumed at 8 p.m.

The Chairman: When the committee rose at seven o'clock, clause 16 was being considered.

Mr. Sharp: Mr. Chairman, in deference to the hon. member for Medicine Hat who asked a question at seven o'clock—had he asked it earlier he might have got an answer—I wish to say this. The hon. member referred to taxation in Canada and in the United States and raised something that has been asked about on many occasions. He wanted to know whether Canadian law as it relates to the taxation of mining companies is of greater or lesser advantage to Canadian companies than is United States law with respect to United States companies.

I do not think it is possible to answer that question. Depletion allowances in the United States are greater than those allowed in Canada. On the other hand exploration and drilling deductions generally speaking are more advantageous to Canadian companies. That is not the point concerning us here. All companies in Canada, regardless of who owns them, have the same tax laws applying to them. When we were considering giving a stimulus—and I believe stimulus would be the right word—to northern mining exploration, other than in the customary way of writing off exploration expenses, it was decided to bring in new legislation, or a new appropriation to encourage Canadian owned companies to embark on exploration that they otherwise might not do. Various plans were developed for these purposes and they are embodied in the appropriation acts and in new legislation.

The amendment now before us has nothing to do with the relative positions of foreign owned and Canadian owned companies. It was brought in to clarify the treatment of grants made under the northern mining exploration legislation or under appropriations related to it. We feel this clarification is necessary, otherwise a double benefit will be accorded, which was not intended.

So far as Canadian and United States owned companies engaged in mining in Canada are concerned, their positions are exactly the same regardless of who owns them. The question of whether our tax laws are more advantageous or more stimulating than they are in the United States is not one with which we need to concern ourselves in this legislation. The only argument that arises is as to whether United States companies have greater encouragement to explore for minerals in the United States than companies organized in Canada have to explore for minerals in Canada? But companies situated in Canada are all subject to similar tax laws.

Mr. Olson: Mr. Chairman, I shall not pursue this much further. We have here a situation which the minister calls giving a double benefit. We have Canadian companies receiving grants, in some instances under the exploration assistance regulations, as well as being allowed to deduct drilling and exploration expenses from income for taxation purposes. That is what the minister calls a double benefit. Be that as it may, Canadian companies enjoy an advantage here that is being withdrawn. It is true that depletion allowances in the United States are greater than those we have here.

The minister talks of other advantage accruing to Canadian companies with respect to development expenses. I will not go into details because I am not completely familiar with the subject. The minister also, before the dinner recess, talked about some things contained in the report of the royal commission on taxation. In press release No. 14 of that report it is recommended that there be an immediate cancellation of mining and petroleum depletion allowances and a phased withdrawal of the three-year tax exemption for new mines. That, as I say, was a recommendation of the royal commission to the Minister of Finance.

• (8:10 p.m.)

This press release, presumably an official press release from the Minister of Finance, stated:

> The commission conceded that the existing concessions have encouraged Canadian mining and petroleum activities.

I emphasize the word "Canadian". It is my belief that the withdrawal of these concessions will be to the great disadvantage of Canadian companies engaged in this kind of exploration and development. The press release goes on to quote the commission as

saying that the proposed tax reforms might shift some of the investment in mining and petroleum into other activities. Possibly this is desirable, and possibly not. If there is a shift of Canadian funds and investment into other activities as a result of action taken by Canadian law, there is not much validity left in the contention that there is too much foreign ownership of the mining and petroleum industries in Canada today.

This press release No. 14 goes on to say:

> If public policy dictates a need to stimulate mineral exploration, subsidies rather than tax concessions should be used, the commission added. For example, the new government loan program for northern exploration could be expanded; increased subsidies for transportation, communication and geological surveys could be made—

Here we have a situation in which the minister has referred to a change which may come about as a result of this report on taxation. At the same time we are withdrawing an advantage which Canadian companies presently enjoy. I suggest that the effect of this amendment will be that the total amount of the grant made under the act, which is intended to provide assistance to companies engaging in mineral exploration, will be withdrawn as a tax deduction from the expenses claimed for drilling and exploration.

Various ministers of the Crown have travelled about the country moaning and groaning about the degree of foreign control over Canada's basic industries. They should use what influence they have over the Minister of Finance in respect to matters of this kind. In this case we are withdrawing an advantage which Canadian companies possess at the moment, and if certain of the recommendations made by the Carter commission are implemented—I cite the recommendation that all the petroleum depletion allowances should be withdrawn—the position will be worse still.

On page 5 of this press release something is said about increasing the capital cost allowances for certain property. We do not have this proposal before us at the moment and we are not likely to have it before us for several months, at least, if we accept, as I do, what the minister said yesterday about the recommendations contained in this report.

The Minister of Agriculture was in Lethbridge the other day. He took the occasion to complain about foreign ownership of Canadian industry, and a newspaper reported him under the headline: "Greene Favours Limiting All Foreign-controlled Firms". The Minister without Portfolio, the hon. member for Davenport, goes about the country saying Canadians should own a great proportion of our industry. Yet when we reach this one point in the Income Tax Act where a distinct and definite advantage is offered to Canadian companies, the law is amended so that a large portion of this advantage will be withdrawn.

The minister says these companies were receiving a double advantage which was never intended. I could give many examples of cases where a double advantage is given by way of grants to designated areas, for example. The fact that these mining and oil companies are allowed to deduct the full cost of drilling and exploration, notwithstanding the fact that they have received a grant, is a factor which in my view leads to the desirable end of giving an advantage to Canadian companies.

I will not labour the point further. If any attention is to be paid to these complaints which we hear from members on the front government benches that Canadians own too small a share of the country's industry, we should not be considering an amendment such as this in parliament today.

Mr. Sharp: May I make a brief comment? First, so that the record may be clear, may I say that the Department of Finance has never issued any summary of the recommendations of the Carter commission. That summary was drafted by the commission itself. I will take no responsibility for it, nor do I want any of its views attributed to the government. The only purpose of this amendment is to ensure that the company cannot have both a grant and a write-off with respect to the same expenditure. That is all. I believe this is fair and equitable. Otherwise there would be ground for complaint from other taxpayers that a special and unwarranted advantage had been given to a particular class of taxpayers.

Mr. Winkler: I would like simply to say that the minister has no reason to be concerned, because the vehemence of the hon. member for Medicine Hat is exemplified by his support of the government at all times.

Mr. Olson: I would remind the hon. member for Grey-Bruce that he should confine his remarks to the bill before us. These other things are just useless observations which simply waste the time of the committee.

Mr. Winkler: My observations are not so useless when it comes to the support of the government.

Clause agreed to.

Clause 17 agreed to.

On clause 18—*No deduction in respect of sale of property in certain circumstances.*

Mr. Olson: The marginal note here reads: "No deduction in respect of sale of property in certain circumstances. The explanatory note tells us:

> The purpose of this amendment is to provide that a deduction may not be allowed under paragraph (d) of subsection (1) of section 85B in computing the income of a taxpayer for a taxation year where that taxpayer ceases to be resident in Canada or becomes exempt from tax in that year or in the next following year.

The clause itself says that certain provisions of the act do not apply so far as this tax is concerned with respect to property sold in the course of the business where the taxpayer ceases to be a resident of Canada, and so on. Can the minister give us an example of what this is intended to cover?

Mr. Sharp: Perhaps I may give a somewhat fuller explanation of the purpose of the amendment than is contained in the note. This amendment is intended to close a loophole by providing that a taxpayer may not take a deduction for a reserve for a taxation year where the taxpayer, in that year or the next following year, ceases to be a resident of Canada or becomes exempt from tax.

Section 85B(1)(d) provides that where an amount has been included in a taxpayer's income from a business in respect of property sold in the course of the business and that amount is not receivable until some time in the future, the taxpayer may deduct a reserve equal to a portion of the profit from the sale.

• (8:20 p.m.)

Under the existing law taxpayers can escape tax altogether by becoming non-resident or exempt between the date of sale and the date at which payment is received from the purchaser. To prevent this, it is necessary to amend section 85B to forbid the claiming of a reserve at the end of the year during which or after which the taxpayer becomes non-resident or exempt.

Clause agreed to.

On clause 19.

Mr. Fulton: In respect of this clause, Mr. Chairman, I should like to raise a question I asked earlier concerning the possibility in the future of deferred profit sharing plans being used for the purpose, and through the medium, of policies of insurance to provide for the acquisition of the shares of a deceased principal shareholder, and their distribution in turn among the beneficiaries of the plan who have been the employees of the company. I have been told that a profit sharing plan subject to the simple proposal I have outlined no longer would be approved, and that an insurance policy would no longer be a qualified investment for those purposes. Could the minister tell me what the situation will be?

Mr. Sharp: Mr. Chairman, my understanding is, provided the insurance is of what might generally be called the endowment type, there is no limitation. The trustee fund can purchase an endowment type of policy upon the life of the principal shareholder without restriction. However, if the insurance is of another kind, then there are limitations concerning the proportion of the income of the plan which can be used for the purchase of insurance.

Mr. Fulton: Am I correct in understanding that if the insurance says that on the death of the insured prior to age 71 the proceeds which are payable can be used to purchase the shares of the insured, and that after age 71 when the endowment materializes, the proceeds can be used for that purpose. Under those circumstances could such a scheme be approved?

Mr. Sharp: My understanding is that this is merely for the purpose of defining the kind of endowment policy that is acceptable as an investment. Perhaps members of the committee will understand the reason for the limitation if I state it in this way. If there were no restriction, then it would be possible for all the fund to be invested in a term policy on the life of the principal shareholder, which might never be of any value; it would be a gamble in respect of the time at which the shareholder would die. The endowment policy ensures that there is an investment which inures to the benefit of the members of the fund. That, as I understand it, is the principle which is involved here. These limitations are only to describe the kind of endowment policy that is acceptable as an investment.

Mr. Fulton: If you look at subclause (d) on page 22, at lines 13 to 20, you will see the following:

> The cash surrender value of the policy ... is or will be, at a time before the 71st anniversary of the birth of the insured person, if all premiums under the policy are paid, not less than the maximum total amount ... payable by the insurer under the policy—

I assume that this is so that in effect the policy matures at age 70, and then it would have to be a term of the plan that the proceeds will be used at that time to buy the shares of the insured person and that the shares then will be distributed between the beneficiaries.

Mr. Sharp: I do not think it matters what are the terms of the plan. The first part of the description by the hon. member is correct; that is, that some time before the 71st anniversary of the birth of the insured the endowment policy matures, but the fund does not necessarily at that time acquire the shares. The proceeds go into the fund and can be used for whatever purpose the plan has in mind.

Mr. Fulton: Then, Mr. Chairman, I have one other technical question on this aspect of the matter. If the minister would look at subsection 6 at line 41 on page 21, he will notice that the introductory words are "For the purpose of this section", and then it goes on to describe the circumstances under which the acquisition of a policy of insurance will not be deemed to be a non-qualified investment, and so on.

I wonder whether those words should not be "For the purpose of this part"; that is, the part we are dealing with, Part IIE, because the intent and effect of the other clauses in this bill are that all things which are called non-qualified investments must be disposed of within certain periods; otherwise there is an extra penalty with regard to the tax. I have a concern lest a policy of insurance which is deemed to be a non-qualified investment owing to the purport of one section, is not sufficient to make it clear that with regard to the other sections of this part it would be exempt from the necessity to dispose of the tax penalties. In other words, is the exemption of insurance policies made applicable to the whole of this part of the bill; that is, insurance policies which are in accordance with the provisions set forth here.

Mr. Sharp: Mr. Chairman, may I make two comments on what has been said by the hon. member for Kamloops. In the first place, it may give him some assurance to know that these sections were examined very carefully by the insurance industry itself, which has a very great interest in them. They do not feel that this is as limiting as the hon. member has suggested. Second, I am advised that if one were to adopt the suggestion of the hon. member, it would make the situation worse, because this section deals with insurance as such; it does not attempt to lay down a principle that a life insurance policy is a non-qualified investment. That is the principle on which these sections were drawn. It was an attempt to narrow the disqualification of insurance to specific kinds, and to place limitations upon them.

• (8:30 p.m.)

I am assured that the hon. member's suggestions would not accomplish his purpose. I hope he derives some assurance from the fact that the insurance companies have also adopted this attitude.

Mr. Fulton: Mr. Chairman, I am forced to reiterate the objection I made earlier today in respect of the retroactivity of this measure. I cannot understand why there is a necessity for providing a legal prohibition in respect of something that has occurred in the past. Surely that was not the intent of the original legislation.

The next point I want to raise relates to clause 19 and the proposed changes to the Income Tax Act. Let me refer to page 27 of the bill at line 38 and following, continuing on to page 28, which deals with equity shares of corporations. There are very complicated provisions involved, and if I understand their effect correctly it is to qualify investments for trusts governed by deferred profit sharing plans.

As I understand this part of the measure, it deals with the investments which a plan may make, or trustees may make; yet one of the clauses qualifies the investment in respect of equity shares. It refers to equity shares of a corporation by which, before the date of acquisition by the trust of the shares, payments have been made in trust to a trustee under the plan for the benefit of beneficiaires thereunder, if the shares are of a class in respect of which there is no restriction on their transferability, and in each of four taxation years of the corporation in the period of the corporation's five consecutive taxation years that ended less than 12 months before the date of acquisition of the shares by the trust, and in the corporation's last taxation year.

This seems to me effectively to exclude from that classification of investment the shares of a private corporation because, as I pointed out, this normally would apply to restricted shares in private corporations, and the transferability for the purpose of holding those shares as restricted to the members of the private corporation.

It is my hope that the minister will explain the effects of this clause relating to the restriction of transferability in respect of private shares, because there is some question regarding profit sharing plans, particularly when you take into account the other features of these plans. I refer particularly to one of their objectives; to give their employees the opportunity to participate in the funds of the plan and the transferability of shares upon the death of shareholders who are, in other words, the owners of the corporation. Will the minister explain the restriction in this regard?

Mr. Sharp: Mr. Chairman, the purpose of this section is to limit the investments of profit sharing plans to shares in respect of what might be termed family businesses. As hon. members will see, if we did not have any such restrictions, the trustee could buy the shares of a family business, which could not be sold except to the family. This might not accomplish the purposes which we have in mind.

If profit sharing plans are designed to share the profits among employees we do not believe it would be in the interest of the employee to have the plan designed to invest in shares that could not be transferred freely. Otherwise the funds themselves might be placed in a position in which the shares could only be sold to those individuals who were members of the shareholder family. This would obviously defeat the purposes of the plan, or could be used for the avoidance of taxation. Let me assure the hon. member that this is exactly the reason we have placed this restriction on profit sharing plans.

Mr. Fulton: Mr. Chairman, it seems to me that what the minister is saying is that we should throw out the baby with the bath water. Instead of defining the restrictions and the exceptions, what is being said is that there are no exceptions at all, or perhaps I should say restrictions. Obviously there must be an advantage to the plan if the benefits cannot be transferred to the employees who should benefit.

The only thing to be contemplated as a result of this measure is a restriction confined to transferability, because seldom if ever will a private company have no restriction on transferability of its shares. Why does the minister not provide by legislation a clear indication of restrictions rather than an indication or an absence of accepted restrictions? It seems to me that under the present provisions there is no restriction, or to say the least an unqualified restriction as to transferability.

Mr. Sharp: Mr. Chairman, I must come back to the point at issue here relating to deductibility. A profit sharing plan is based on deductibility from the taxable income of the employer or employing company. I do not think we would be wise to allow a deduction from the income of an employing company unless there is a complete transfer to the employee. If the plan is such that it invests in shares of the company which are restricted as to transferability I do not think we can be assured that the benefit will accrue to the employee. Therefore, I am very much of the view that there should be no restriction on transferability of these shares. Otherwise I believe we are in fact giving a deduction for something that is not being transferred in full to the employee. After all, the employer can obtain deductibility simply by transferring a share of his profits; the profits do not have to be deferred or invested in shares.

• (8:40 p.m.)

Mr. Fulton: Mr. Chairman, I do not really like to engage in this sort of argument, but transferability may not mean at all that the shares cannot be sold: You may have to wait 30 days, and that is all. It does not destroy the marketability of the shares. If the company is a good company, outside people will make an offer, and if the family or other shareholders do not want to meet that offer, the shares can be sold. It seems to me an extremely desirable objective and proper purpose of these plans to have in mind that on the death of the principal shareholders employees will themselves become shareholders and owners of the business, and any plan that facilitates this should be approved and encouraged rather than discouraged.

If we were to include this provision, not even the proceeds of the insurance policy could be used to buy the shares and put them in the plan, because of the blanket exclusion here in respect of any shares which have any restriction on their transferability. I did not have an amendment to propose, but because

I do not think the minister really meant the argument he has advanced, I move:

That clause 19 be amended by deleting from the proposed section 105Q the words, "(A) there is no restriction on their transferability, and", where they occur at lines 44 and 45 on page 27.

Mr. Sharp: Mr. Chairman, is this amendment before us?

Mr. Fulton: Yes.

The Chairman: Order. It is moved by the hon. member for Kamloops:

That Bill C-529 be amended by deleting the words: "(A) there is no restriction on their transferability, and", at lines 44 and 45 on page 27.

Some hon. Members: Question.

Mr. Lewis: Mr. Chairman, with some of the things the hon. member for Kamloops has said I am in sympathy, and I can see some validity in his concern in certain cases. But it seems to me that the amendment which is moved could not possibly be accepted, at least as far as my submission goes, because what is being done by removing these words and not replacing them with any others is enabling a profit sharing plan to be locked in to the non-transferable shares of a private company. Surely the hon. member cannot intend that. When he was speaking I thought he was appealing to the minister to make some amendment to this language so that in certain cases, if the restriction is of a certain kind only the investment would be a qualified investment. But instead of producing an amendment of that sort, which might have been looked at with some sympathy, the hon. member has produced an amendment which would mean that the proceeds of a profit sharing plan could be invested in the shares of a non-profit company and be locked there for as long as the employer desired, no matter what happened to the shares, what the employees wished, or anything else. Surely this does not accomplish the rather limited purpose of the hon. members's intention as he expressed it. We certainly could not support an amendment which would have the effect which I have suggested.

Mr. Sharp: Mr. Chairman, I need add very little to what has been said by the hon. member for York South, who has put his finger upon the essence of the problem. It would be possible to argue that profit sharing plans should never invest in the shares of the company itself, if one were looking at the original purpose of deferred profit sharing plans. The original purpose of deferred profit sharing plans was to enable the employees to share in the profits they were helping to create. But, as I said earlier, as a result of introducing the principle of deferment, introducing the further principle of using these funds to acquire shares in the company, and introducing the further complication that they could then be used as a form of annuity or pension, one has to make some compromises. Apparently it is now accepted as part of the doctrine that these profit sharing plans should be used to help employees acquire shares in the companies in which they work. So we have in a sense moved away from the pure theory of profit sharing plans toward a rather different concept.

A qualified investment includes investment in the shares of the company itself, but we have also tried to ensure that the investments are of such a character that the employee has a reasonable prospect of getting out of the fund the amount that the employer put in out of his profits.

• (8:50 p.m.)

It may be that with more experience we will be able to define more carefully the nature of the restrictions on transferability that are most to be feared, but I think the committee will realize that this is the first extensive effort to regulate these funds and plans. They were introduced for the first time in our legislation five or six years ago. On the basis of the experience that we have had until now we believe that it is necessary to be much more detailed if for one reason only, namely that these plans have been abused and we are trying if possible to establish regulations which will reduce the abuse.

I have to take very strong exception to the amendment that has been proposed because I do not believe that it would be in the interests of the employees that the funds should be invested in securities which have restrictions on their transferability. Therefore I hope that the hon. member will withdraw his amendment, and if not I certainly will vote against it because I do not believe it is in the interests of the employees.

Mr. Fulton: If the minister had something better to offer I would be glad to withdraw my amendment in favour of his. However, all he has said until now is that he does not see why the provision should not be in here. In brief, I do not claim the ability to draft an amendment on the spur of the moment which would specify the kind of restriction which we all agree might be acceptable. Nevertheless I think it is more to the disadvantage

of the employees to exclude from investments in deferred profit sharing plans shares in private companies, which is what the bill does —they cannot have those shares in their portfolio under the present bill—than an amendment which says that these shares can be included even though there are some restrictions on their transferability. Let me point out that the kind of restriction that is normally applied does not exclude their sale, it merely gives an option to someone else to buy them at the proper price, so the employee will either get the shares or their fair market value.

Therefore in the absence of some indication by the minister that he will substitute another amendment for the one I proposed, I cannot withdraw mine.

The Chairman: Is the committee ready for the question?

Amendment (Mr. Fulton) negatived: yeas, 25; nays, 51.

Mr. Fulton: Mr. Chairman, I want to ask the minister one or two questions with regard to the proposed section 105L of the bill which appears at page 23. Am I right in my understanding that under this section a plan which will not now be approved must dispose of all non-qualified assets or investments, and even if it disposes of them immediately after this legislation comes into effect it is liable to pay a tax on part of the proceeds of that disposal?

Mr. Sharp: If the fund does dispose of the non-qualified investments in accordance with the schedule laid down in the act, then no penalty whatsoever is imposed. Indeed if it pays the penalty and then disposes of the non-qualified assets or investments, it can get the tax back. So I believe this is very fair under the circumstances.

Mr. Fulton: I am encouraged by that answer but I hope the minister will not misunderstand me if I say I cannot equate it with the provision of section 105L which reads as follows:

> Every trust governed by a deferred profit sharing plan or revoked plan shall pay a tax
>
> (a) for 1967, equal to the amount, if any, by which 20 per cent of the initial base of the trust exceeds the proceeds of disposition of its initial non-qualified investments disposed of after December 21, 1966 and before 1968;

Am I right in my understanding that under subparagraph (a) the first possible disposal, which now must be after December 21, 1966, will expose the plan to a liability for a tax because it would not have disposed of its non-qualified investments before that date? Unless the minister can point out to me some relieving subsection which has not yet come to my attention it seems to me that that would be inescapable. Since they cannot do it until after December 21, 1966, they become liable to a tax.

Mr. Sharp: I am a little puzzled by this question, and so are my officials, which gives me some assurance. I fail to see the difficulty which the hon. member is experiencing. We are talking about a tax for 1967 equal to the amount, if any, by which 20 per cent of the initial base of the trust exceeds the proceeds of disposition of its initial non-qualified investments disposed of after December 21, 1966 and before 1968. I do not understand how a difficulty could arise, nor does it seem to be retroactive.

Mr. Fulton: In the words of this section the fund would not have to dispose of its investments. If it were not for this legislation the plan would not have to dispose of its investments. Therefore it would not have any proceeds from its investments until the plan materialized and was put into effect, after which the deferred operation can take place.

• (9:00 p.m.)

Now, the minister's legislation imposes on some of these plans, I gather quite a number of them, the obligation to dispose of their investments and to pay a tax on the proceeds of that disposal. They cannot escape this liability to tax. This is the important point I made earlier this afternoon. You are changing the rules half way through the game. The minister is saying this type of investment cannot be acquired in the future, but he is not stopping there. It would have been acceptable if he had, but that is not what the minister is doing. The minister is not only saying; "you cannot acquire this type of investment in the future, but you are to dispose of the investments that you acquired in the past, notwithstanding the fact that my colleague, the Minister of National Revenue, approved specifically of what you were doing. You have to dispose of them and incur a liability to tax on part of the proceeds of disposition."

This is retroactive legislation, no matter what the hon. member for York South says. It is saying now that what you did, although right at the time, in accordance with the law at the time, in accordance with approval given at that time, is now wrong. You have to undo it and you have to pay a penalty now for doing that which last year we said you

could do. I find this intolerable. I am just amazed that the minister would introduce such legislation into this house.

Mr. Sharp: I am still puzzled by the anxiety of the hon. member. If a trust carries out this disinvestment of non-qualified investments in accordance with the schedule, I think it is 20 per cent of their non-qualified investments by the end of 1967, 40 per cent by the end of 1968, 60 per cent by the end of 1969 and 100 per cent by the end of 1970, they do not have to pay any tax whatever. They are given a period of time to get rid of their non-qualified investments. If they fall short at the time, then they have to pay a penalty equal to the amount of the shortfall. There is a provision at the end of 105L that the trust is entitled to a refund later if they then disgorge their non-qualified investments. Perhaps this is the reason the hon. member has felt we were being retroactive in an undesirable way. I do not believe that is a justified criticism. We have enabled these trusts to get rid of non-qualified investments in an orderly way. If they meet these targets, no penalty is involved, and if thereafter they comply they can get the tax back.

Mr. Fulton: I understand what the minister is saying to me goes a long way toward meeting my point. I am sorry if I am dull, but I do not see how what he is saying to me is, in fact, the result of the wording of this legislation. The proposed section reads, in part:

> Every trust governed by a deferred profit-sharing plan or revoked plan shall pay a tax
>
> (a) for 1967, equal to the amount, if any, by which 20 per cent of the initial base of the trust exceeds the proceeds of disposition of its initial non-qualified investments disposed of after December 21, 1966, and before 1968;

Well, they cannot dispose of them until after December 21, 1966, because the legislation does not come into effect until after December 21, 1966. It seems to me they become liable for a tax equal to the amount by which 20 per cent of the initial base of the trust exceeds the proceeds of disposition of its initial non-qualified investments. Perhaps we could stand this clause and the minister might provide a private memorandum for me, since I am unable to see how this thing works.

Mr. Sharp: I have one here.

Mr. Fulton: Could we stand 105L?

Mr. Sharp: Yes, I would be happy to do so. Perhaps in the meantime I might pass over to my hon. friend a copy of the note that helped me to understand the section.

Mr. Lewis: Read it into *Hansard.*

Mr. Sharp: Perhaps I could give a brief description of how it is intended the section will operate, and perhaps the hon. member will see this is what the legislation says.

The new section 105L is intended to induce the trust for a deferred profit-sharing plan to dispose of some of its non-qualified investments each year and to have disposed of all these investments by the end of 1970. It imposes a penalty tax equal to the amount by which the proceeds of disposition of the initial non-qualified investments in a series of periods fall short of certain specified proportions of the initial base of the trust. The penalty tax, therefore, is equal to the amount by which the disposition falls short of the target set forth.

The proportions of the initial base that must be disposed of in order to avoid tax are as follows: 20 per cent by the end of 1967; 40 per cent by the end of 1968; 60 per cent by the end of 1969, and 100 per cent by the end of 1970.

The terms "initial base of the trust" and "initial non-qualified investments" used in this section are defined in a new section 105Q on page 26 of the bill.

"Initial base of a trust" means the aggregate of the values of all initial non-qualified investments held by the trust on December 21, 1966, when each such investment is valued at the lower of, (i) its cost to the trust, or (ii) its fair market value on December 21, 1966. The reason for the date, of course, is that is when the bill was read for the first time.

"Initial non-qualified investment" means a non-qualified investment held by the trust on December 21, 1966.

The second part provides for a refund of any tax paid under this section as I have just been describing if the non-qualified investments held on December 21, 1966 are disposed of for not less than the full value placed on them at that date. If there is some loss on disposal and the tax paid exceeds that loss, there will be a partial refund. I might add that the subsection is rather complicated because it also provides for interim adjustments from year to year as disposals are made.

I hope that that explanation will help the committee, and I suggest it is in line with the amendments proposed.

May I now place before the committee an amendment I should like the Minister of Labour to move? The amendment reads:

That clause 19 of Bill C-259 be amended

(a) by striking out lines 5 to 12 on page 22 and substituting therefor the following: to any rights or benefits under the policy (other than the rights or benefits of the insurer),

(b) by striking out lines 21 to 24 on page 22 and substituting therefor the following:

(e) the total of the premiums payable in any year under the policy is not greater than the aggregate of the amounts that, if the annual premiums had been payable in monthly instalments, would have been payable as such instalments in the twelve months commencing with the date the policy was issued,

(c) by striking out lines 32 and 33 on page 22 and substituting therefor the following:

policies in respect of which the trust is the only person entitled to any rights or benefits (other than the rights or benefits of the insurer) does not exceed an amount equal to 25 per cent of the aggregate of all amounts paid by employers to the trust in the year; and

(d) by striking out line 37 on page 24 and substituting therefor the following:

year or within 90 days after the end of the year to that employee, or

Mr. Nicholson: I so move.

• (9:10 p.m.)

Mr. Sharp: Just a word of explanation, Mr. Chairman. The first two paragraphs of the amendment, (a) and (b), are the result of suggestions made by representatives of life insurance companies to provide a better way of describing what was intended by the legislation. Paragraph (c) has been proposed to make clear that the 25 per cent test that is in the legislation is based only on payments made into a plan by employers. The fourth paragraph, (d), is relieving. It will give a trust for a plan a period of 90 days after the end of the year in which to reallocate amounts which are forfeited in the trust during the year. As the bill reads now the trust would otherwise have to make the reallocations by the last day of the year.

The Chairman: Shall the amendment carry?

Some hon. Members: Carried.

Amendment agreed to.

The Chairman: Shall clause 19 as amended carry?

Mr. Fulton: Mr. Chairman, I still object to the whole import of clause 19 and I do not modify that objection. However, with respect to the applicability and effect of section 105L I guess I have been too long away from the tutelage of the Department of Justice and the draftsmen that are at their disposal. At first I did not understand the way it worked. I thought it worked in the opposite way to that explained by the minister. However, having considered carefully the explanation and reconsidered the drafting I would have to agree that it operates in the way outlined by the minister, and I apologize to the committee for my inability to see that from the very outset. Therefore I withdraw my specific objection to section 105L but I maintain my objection to clause 19 as a whole.

Mr. Sharp: Mr. Chairman, may I say that the hon. gentleman has certainly no need to apologize for not being able to understand this bill. Understanding this bill would be even more wonderful than understanding the Carter report at first reading.

Mr. More: I just have one short question to put to the minister on this clause which relates to investment in shares of corporations and the requirement that corporations pay dividends. I did raise this question with the minister in my earlier remarks as a result of knowledge I have of a plan which is set up to enable employees to obtain an interest in a company. Although this particular company is a well run company, it is small. It does not pay dividends, reserving the funds accumulated for expansion purposes. In this event the trustee of this plan would not invest in the shares of the company as I understand this section, even though this was the purpose of setting up a profit sharing arrangement.

I can understand the restriction if the plan were for pension purposes. This profit sharing plan was set up to provide funds to enable employees to obtain some equity in the company on the retirement of those who are now the proprietors of the company. It seems to me that this restriction would leave no basis on which they could operate a profit sharing plan to accomplish this objective.

Mr. Sharp: I do not know whether the hon. member has looked carefully at page 28, but according to section 105Q (e):

"qualified investment" for a trust governed by a deferred profit sharing plan or revoked plan means . . .

(vi) equity shares of a corporation by which, before the date of acquisition by the trust of the shares, payments have been made in trust to a trustee under the plan for the benefit of beneficiaries thereunder, if the shares are of a class in respect of which—

Then comes the clause to which the hon. member for Kamloops took exception; and then in subparagraph (B) appears a description of the kind of shares. The test there is whether dividends have been paid and, second, whether the corporation had earnings which did not have to be paid out in the form of dividends. I believe it is quite reasonable that the profit sharing plan should be restricted to investments in companies with good earnings records. I think it would be quite unreasonable to restrict them to companies which paid dividends regularly.

Mr. More: I thank the minister for his explanation. I think the import of the second part answers my question in part.

Clause as amended agreed to.

Clause 20 agreed to.

On clause 21—*Application for assignment of social insurance number.*

Mr. Olson: Mr. Chairman, this clause is a requirement that every taxpayer from 1966 on shall have a social insurance number. Objections have been voiced before about this. I am not particularly against the principle that people in Canada should be required to obtain such a number so that the computing machines which it is desirable to use today can identify them by an account number. What I object to is the kind of insidious deception displayed in this house some time ago by some members of the government who stated categorically, and stated repeatedly, that there would be no requirement that anybody need apply for a social insurance number if the did not wish to do so.

The Minister of Finance, the Postmaster General and others know very well that the Minister of National Health and Welfare gave this assurance over and over again when the Canada Pension Plan was going through the house. It is now compulsory to pay income tax; it is compulsory to file a return if you have earnings above a certain minimum. This amendment to the Income Tax Act is a deceptive way of compelling people to apply for a social insurance number. Anyone not wishing for a government benefit should have the choice of not applying.

• (9:20 p.m.)

What concerns me mainly in this amendment, in this very complex tidying up bill, is a matter that was discussed when the Canada Pension Plan was being discussed. I am surprised that the Minister of Finance has completely reversed his position about the need to apply for a social security number. If it is government policy to require that everybody in Canada be registered, why not say so? Why does the government give these assurances, saying: "It will not be compulsory to have a number; people do not have to apply, the whole thing will be voluntary,"—and all the rest of it.

In section 130A, subsection 2, we have the compulsory part. It says that anyone who does not apply for a social insurance number after 1966 shall be deemed to have failed to complete the information on a prescribed form as required by or pursuant to section 44. I repeat, Mr. Chairman, if it is government policy for every Canadian to be compelled to apply for this number, why not say so? Why not be straightforward, instead of completely reversing what was said before. The Minister of National Health and Welfare insisted that the government would not want this number on a compulsory basis.

Clause 6 ought to be amended, to enforce a certain medical standard with respect to the making, producing and fitting of dentures. In any event I think the minister owes us an explanation. How can he justify the complete somersault with respect to being forced to apply for social insurance numbers?

Mr. Sharp: Mr. Chairman, the government is proposing this amendment to the Income Tax Act because of the increasing work load on the Department of National Revenue. The main reasons for this increase in the work load are the increases, I am happy to say, in the number of taxpayers, the tax collection agreements with the provinces, the record keeping requirements as the result of the federal-provincial fiscal arrangements and the introduction of the Canada Pension Plan. There has been an enormous increase in the burdens of the Department of National Revenue, and this work load will be further increased as we move into the guaranteed income for old age pensioners.

The work presently required to be performed by the department could not be carried out today without the use of electronic computers. The increased demands to be placed upon the department will increase this dependence on computers. We cannot operate these computers without numbers; we have not yet invented a machine that will respond to names. We must use code numbers such as these.

The Department of National Revenue has a system of numbers, but it is not adequate. It was developed before the social insurance

number system was implemented for the Unemployment Insurance Commission and the Canada Pension Plan. The first public use of the taxation number occurred in 1965 when personalized 1964 tax forms were mailed to each taxpayer then on record. I am sure most hon. members are familiar with the personalized return forms; they received them in the mail. The forms bear the taxpayer's name, the last known address, and his unique number.

The unique taxation number has been of great assistance in meeting the problems of exact identification inherent in computer record keeping, but it has some serious shortcomings. Not all taxpayers choose to use the labelled return bearing their number. Others do not receive their returns because they have moved frequently. In either case the essential identifying number is unavailable to the department's computers. Furthermore the taxation number is based in part on name, and is therefore subject to variability when names change, as in the event of marriage.

Shortly after the Department of National Revenue developed its numbers system the requirements of the Unemployment Insurance Commission and the advent of the Canada Pension Plan dictated the need for the design and implementation of a new and universal system of permanent unique numbers suitable for massive record keeping operations by electronic computers. The social insurance numbers system was the result. It now embraces over 9 million members of the population.

To carry out its responsibilities for collecting Canada Pension Plan contributions and to ensure that contributors' records are accurately maintained, the Department of National Revenue must use these social security numbers and require that all contributors use them on the reporting forms required to administer the plan. Thus the department is now using one system of numbers for the identification of taxpayers and another for Canada Pension Plan contributors, most of whom are the same.

As I said earlier, Mr. Chairman, when speaking on second reading of the bill, I do not know why there should be objection to simplifying a system. I can understand the objection to having a number, but I do not see what objection there can be to having one number instead of several. I submit that this is a natural evolution in the system. I do not think it in any way infringes on our essential liberties nor in any way does it disclose to unauthorized persons the private business of taxpayers or individuals. I submit this is a very desirable improvement.

[Mr. Sharp.]

Mr. Smallwood: I did not intend to speak on this bill. I wish to thank the hon. member for Medicine Hat for drawing our attention to what the government is doing, forcing numbers on the Canadian people. The government is treating us like a bunch of cattle. In western Canada in the spring of the year we mark our cattle; the government wants to do that to our people.

Some hon. Members: Oh, oh.

Mr. Smallwood: Do not laugh. This is a serious matter. Here we find the people of Canada being forced to become numbers. We will not have names any more; we will be numbers. They will introduce a punch system and everybody will have to stamp his number wherever he goes. This is an absolute disgrace in a democracy.

Mr. Côté (Longueuil): Should we use letters instead of numbers?

Mr. Smallwood: The Postmaster General probably could not even read letters. He made a mess of them in his post office. It is disgraceful to treat people as numbers. We shall not have any more names; people will be No. 21, No. 23—they will be numbers instead of names.

The minister talked about computers and how efficient they are. Well, they are so efficient that they did not send a man in my constituency his cheque. They sent it to somebody else. The machine had the wrong number and somebody else got his money. The same held true for the May and June cheques. We were told: "Oh, but the machine cannot make a mistake; it cannot make cheques out to the wrong number." If that is so, where did these wrongly directed cheques go? One man in my constituency has been without a cheque since May.

What kind of outfit runs this country? Are we all to be cattle? I want to see more people getting up and complaining about being turned into cattle. I think this is disgraceful.

• (9:30 p.m.)

Mr. Knowles: I do not wish to disappoint the hon. member for Battle River-Camrose. He seemed sure that we would not object to the use of numbers in this very complicated operation. Frankly, I am puzzled as to why this annoyance with numbers has come into the picture. Most of us in this chamber were

born, and most of us have birth certificates: They bear numbers. Most of us are married: Marriage licences have numbers. Some may have been divorced and divorce certificates have numbers. When finally we die, our death certificates will have numbers.

An hon. Member: We have got your number, too.

Mr. Knowles: Unemployment insurance had always used a number system of its own. Income tax has a numbering system for us. I suppose every person in this chamber has credit accounts and charge accounts and carries identification with respect to them in his pocket. All have numbers on them. I suspect that all of us have with us our railway passes and, though we may not use the trains as much as we used to, we use these passes for identification purposes time and time again. They have letters as well as a number—L.J.R. as well as a number.

Here in the House of Commons we have seat numbers. We have post office box numbers. We even have room numbers. Most of us have insurance policies and every policy has a number. If we own a car, it has a number. In my own province of Manitoba I have had the same number since 1950. Each of us has a driving licence. The number of that licence has now been made permanent in at least the provinces of Manitoba and Ontario. If any of us are fortunate enough to own property with a title to it, there is a number on the title. Most of us probably have mortgages, and they have numbers. When we vote we find our numbers on the voters lists. When we pay municipal taxes we find we have a number on the tax roll. We have telephone numbers. I even do my filing in my office on the basis of a numerical system. During the supper recess I found that the Minister of Finance is included in my filing system, and he has a number in that file.

An hon. Member: What is the number?

Mr. Sharp: No. 007.

Mr. Knowles: I find that I have the hon. member for Kamloops in my files, not because he is the hon. member for Kamloops but because for a number of years he was the Minister of Justice.

Mr. Chrétien: He is number one in the race, too.

Mr. Sharp: Have you the remaining Conservative leaders in order?

Mr. Knowles: The press is finding it difficult to assign numbers to their order of priority. But for years and years we have used numbers in all kinds of situations for ease in identification, and I find it hard to understand why all of a sudden it has become such a sin to have a number. I use that word with a double meaning, now. I thought the advertisement in Saturday's papers was a bit ridiculous, though I did laugh at it. The Department of National Revenue spent a few dollars telling the people of Canada that every taxpayer must have a SIN—and it was spelled "S-I-N", all in capital letters.

An hon. Member: It is the new morality.

Mr. Knowles: I wondered what it was and I admit I read the advertisement. The chap who was caricatured was looking at one of those delightful income tax forms. Of course there was a pretty girl shown on it, and every taxpayer was supposed to have a SIN. Of course, one goes on reading to find out what the SIN is, but before the reader is told what it is he is told he must report it on the tax form. I thought it was something one might get an income tax deduction for; I wondered what I might have been missing over a number of years.

Mr. Lewis: Would you object to having to report it?

Mr. Knowles: I am reminded of the old man who was asked whether, if he had to live his life over again, he would make the same mistakes. His reply was: "Yes, but I would start sooner."

Of course, SIN, to the Department of National Revenue, means Social Insurance Number. I am a little surprised that the department has not been taken to task already for this incursion into the new morality. I do not know whether other hon. members read the advertisement, but I freely confess that I did. I have asked a number of people what they thought about it. Some thought it was very good, because people would read it, while others thought it was less good because it did not really put into people's heads the idea that they must get this number on their income tax forms. But surely we are straining at something or other, when we see a loss or denial of individual liberty in the greater use of numbers in a very complicated situation. I do not think it is any more a denial of individual liberty than it is to have a number on my driver's licence, which I have to show when an officer stops

my car on the street. Nor is it any more a denial of individual liberty than it is to have a number on my marriage licence, or because, as a minister who can still perform marriages, I have a number under which I do it. There is no loss of liberty or personality in this sort of thing.

On the other hand, if we are to deal with this complicated business of keeping all the records which are required for things like income tax, unemployment insurance, the Canada Pension Plan and so on, we need a system which will work electronically. Others in this house were out, last year, as I was, to the place at Tunney's Pasture where these things are operated. I was certainly convinced that but for electronic equipment the Minister of Manpower and Immigration could not find all the people required to do the work of looking after our income tax records, let alone the Canada Pension Plan records.

An hon. Member: Government is getting too big.

Mr. Knowles: Well, if government is getting too big, this is one way of catching up. Maybe government is doing more and more things on behalf of the people of Canada. If these things are to be done, and done efficiently and effectively, I think we have to use modern methods.

As I understand it, one of the things we must have in this country is portability for the various social insurance plans. We have portability between the Canada Pension Plan and the Quebec Pension Plan, and it is a condition of the medicare legislation that there is to be portability among the provinces. If we are to carry this out effectively I think we must have one number for our people, not two, or three, or half a dozen numbers. I also think it is a service to our people to teach them to try to get these numbers. People take a long time to do the things which need to be done or which the law requires. The Canada Pension Plan legislation makes it clear that unless people have the number they cannot get pension benefits. It may seem harsh, but unless records are kept how can the benefits be paid?

The advertisement is careful to say that only people over 18 need to have their social insurance numbers, their SIN, as the Department of National Revenue puts it. The government's new morality does not require that anyone under 18 have a SIN. It does not start under that age.

[Mr. Knowles.]

• (9:40 p.m.)

Mr. Fairweather: It does not restrict it to those over age 18.

Mr. Knowles: It does not make it compulsory under age 18. There already is a provision in the Canada Pension Plan legislation that people must apply for it if their income is $600 a year or more. This legislation does not go that far, but it does say that persons whose incomes are $1,000 in respect of a single person or $2,000 in respect of married persons must apply.

It has been said that this is an additional burden on our people. Surely, Mr. Chairman, it must also be said that one of the ways to save money in the government is to have things done efficiently. If we do not have electronic methods and are going to have it done by individual pen-pushing accountants, then it will cost that much more. Surely this is ordinary elementary common sense. I think that a lot of the talk we have had today and on other occasions about this matter is just so much talk. I believe that, just as we have accepted all these other numbers, we should not quarrel about having one number for our income tax, for our Canada Pension Plan, and for our unemployment insurance. Why not have one number for all the things concerning which we are in contact with the federal government, or indeed with the provinces, particularly where portability is required. Mr. Chairman, it was not my idea that this social insurance number be called SIN, but now that it has been so christened, I think it is not a bad idea.

Mr. Smallwood: Mr. Chairman, I should like to reply for a moment to the hon. member for Winnipeg North Centre who gave us quite a sermon regarding numbers. He said that he has a number, as a minister. Possibly he would like to use that number, marry himself to the Liberals and be through with it. After listening to him I am more concerned than I was before that we should not have this compulsory number which is forced upon us, because I believe we must stick up for democracy. After hearing him I am more convinced than I was before that this is straight socialism. I am surprised that the Liberals swallowed it. I would go further and say that it is communism. We should wake up and realize what these people are trying to do to us. It is time we looked after our democracy, or we will go to sleep and then find that we

have people on our hands who will be dangerous to the younger generation of our country. As was mentioned earlier, we might find that when a baby is born he will be given a number and not a name. What is happening here tonight is very serious.

Mr. MacInnis (Cape Breton South): Mr. Chairman, I intend to rise only to ask a question for clarification in respect of a couple of statements made by the hon. member for Winnipeg North Centre, who my colleague from Halifax says is in favour of SIN. I should like to ask my friend whether he would qualify what he meant when he said that some of us were born. This creates a bit of a question in the minds of some people. I should also like to draw his attention to what his colleague the hon. member for York South suggested, when he said that without the computer system the work of the government would never be done because the minister of manpower could never find the people. Is he overlooking the potential and possibilities of the Cape Breton area in which to find workers to fill in for the computers which he says are so essential. I bring this to his attention simply because of the suggestion of the hon. member for York South, who seems to be aware of the problem we have. If the minister is looking for workers, I suggest that he start in the east.

Mr. Olson: Mr. Chairman, after the explanation by the hon. member for Winnipeg North Centre I suppose all of us should be reduced to the point where we would not object to licence numbers and various other serial numbers on documents and so on. It seems to me, however, that he has completely missed the point so far as the objection to insurance numbers is concerned. As he well knows, if there is to be one number attached to each citizen in Canada for the purpose of the Canada Pension Plan, Old Age Security, taxation, and a number of other things which some centralized filing of this information in may come along later, and if there also is to be a computer system, then all this information which is filed in the computer can be blurted out. It can blurt out this information at the rate of 600 lines per minute.

What I object to is that in the Income Tax Act there are provisions which require that all officers who handle the files must keep the information to themselves, and now we will have a situation where we will have the same common number for every citizen in respect of all these matters and there is no prohibition of which I know at the moment in respect of information relative to the Canada Pension Plan, the Old Age Security Act, and so on, such as there is in respect of the Income Tax Act.

Therefore, as I said, I think the hon. member for Winnipeg North Centre has completely missed the reason for the objection to having all this information filed under one number in the computer. This would mean that all these departments of government would have access to the information in respect of the individual.

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

Mr. Olson: Perhaps the hon. member should permit me to finish my remarks, but go ahead.

Mr. Knowles: Why does the hon. member think that having a common number would result in the information from different departments being in the same file, any more than having a common name would do that? I do not see how this situation would violate the secrecy of the income tax department.

Mr. Olson: Perhaps not. Maybe the hon. member for Winnipeg North Centre has a greater understanding than I do of computer programming and what happens when you ask for an account and information from those accounts which are filed electronically. However, my information is that when you call for a file from an electronic computer, and give a number, all the cards on this whole centralized filing system would be printed. Therefore since these accounts would be filed in a central area, people in the Department of National Health and Welfare—the people administering the Old Age Security program and other things—would have access to the income tax records of any taxpayer. Now, since all this information would be included in the same file with the same number, if a person pressed a button asking for information from this file, the computer would have the capability of blurting all the information out, and there it would be.

I suggest, Mr. Chairman, that this would be in violation of the rights of the taxpayers of this country, which heretofore have been protected. When they file their income tax returns they are guaranteed by law that no one except the tax assessors with the Department of National Revenue shall have any access to this information.

Income Tax Amendment

• (9:50 p.m.)

Perhaps we need more assurance that no one else will have access to this information compiled by computers. With that assurance I am sure this measure will be accepted. Before it is acceptable we must know that there will be a separation of information so far as computers are concerned, so that the information will not be available to everyone. I agree with the hon. member for Winnipeg North Centre who suggested that this general information should not be made available to anyone who seeks it.

In spite of the assurances given some months ago by the Minister of National Health and Welfare and in the absence of any satisfactory explanation, I think a great deal more supervision should be employed in respect of the information available from these computers. There is always the possibility that records and information, obtained in confidence, will become available generally as a result of computer operation. Without some assurance of a separation of confidential and public information there is a possibility of an invasion on human rights. We in this parliament must do everything possible to avert that invasion.

Mr. Fulton: Mr. Chairman, I have been very interested in the remarks made during the last 15 or 20 minutes, particularly those of the hon. member for Winnipeg North Centre regarding the effects of the provision in this measure having regard to the Income Tax Act. There may be some merit to the suggestion that for administrative purposes, in so far as the social security measures of this nation are concerned, individuals should have social insurance numbers. In this regard let me point out that there are provisions in the national health and welfare measures which require individuals to have these numbers. This is the first invasion of this kind we have observed in the nature of paraphernalia, purposes, and methods of enforcing the Income Tax Act. No one heretofore has been obliged to accept an income tax number in order that income tax regulations may be enforced, formidable and restrictive as they may be. This particular provision would have the effect of applying an income tax number by an indirect method, for a purpose other than enforcement of the Income Tax Act.

While I understand the reasons behind the insistence that people must have a social insurance number, I cannot understand the application of that principle to this particular measure. It will be used to enforce collection of income taxes under a government instituted social security program. We as members of parliament are well aware of the difficulties involved in income tax legislation, and we all appreciate that certain injustices occur. In the present case the government is using extraordinarily restrictive apparatus for a purpose not intended. If we must be labelled by a social security number, let us be so labelled without the impending threat of such a label being used for income tax collection purposes. The people of Canada resent very much being regarded as wards of the government, and resent being numbered for income tax purposes. They resent even more being numbered on the basis of social security in order to accomplish something not intended.

Mr. Winkler: Mr. Chairman, I should like to ask the minister whether in his view this particular clause will apply to old age supplements in years to come?

Mr. Sharp: I do not know the answer to that question. Let me make the very general statement that we are asking approval for identification of something that is not capable of being used for another reason. If we could be sure of an identification by names, that would be sufficient, but we all know that many individuals in this country have the same name by birth and very often the same name by marriage. The identification we now seek I do not think infringes in any way upon our freedoms. We are simply seeking a method of identification which can be used in respect of individuals who come under the provisions of various measures because of different circumstances. The whole thing involves a matter of identification.

Mr. Fulton: Mr. Chairman, if this measure involves simply a matter of identification, why does the measure provide such a heavy penalty under the Income Tax Act?

• (10:00 p.m.)

Mr. Sharp: In the first place, Mr. Chairman, the penalties are not as serious as has been suggested; I can assure hon. members of that. They are just the ordinary sort of penalties that are provided if in your income tax return you file your name in an improper way. In other words, the same penalty would be provided if you did not fill out your name properly. This is exactly the kind of penalty that is involved in this measure. If you misinformed the tax authorities by filling in your name incorrectly, or your address in the

wrong way, the same sort of penalty would be involved.

We now have a better method of identification, and I suggest that we should adopt it. I do not believe that this provision in any way affects our democratic rights or deprives any of us of our individuality. In fact, I think it is a much better means of identification than has been available heretofore.

Mr. MacInnis (Cape Breton South): Mr. Chairman, would the minister answer a question supplementary to that just put to him? He was asked whether this provision will apply to recipients of the old age pension in the following year, and the minister's answer was, "I do not know." How, under a numbers system, are we going to settle this issue?

Mr. Sharp: If this provision were to be applied, it might be a very useful thing to do. But the fact is that I do not know—I am not the Minister of National Revenue—and am not aware whether there are any plans of this kind.

While I am on my feet, Mr. Chairman, I would like to reply to the hon. member for Medicine Hat. I should like to assure the hon. member and the committee that this provision has nothing to do with the privacy of income tax returns.

The tax returns of the people of this country are kept separately, just as though they were kept on pieces of paper with names on them, rather than on tape. But it happens to be a little more modern to adopt this method, and in this House of Commons I think we should take advantage of modern techniques to save the taxpayers' money and improve the administration of this country. I believe that the attitude being displayed here by some hon. members is that this system is something that has occurred recently. I believe this argument is perhaps best answered by the remarks of the hon. member for Winnipeg North Centre, who has pointed out that we are all identified by a great many numbers in many files. I believe that for the government it would be of advantage to have these details clearly and accurately recorded.

Mr. Aiken: Mr. Chairman, may I call it ten o'clock?

Mr. Knowles: Don't say ten o'clock; that is a number.

Mr. Aiken: It is an hour, to my way of thinking.

Progress reported.

PUBLIC SERVICE

EXTENSION OF TERMS OF REFERENCE OF JOINT COMMITTEE

Hon. G. J. McIlraith (Minister of Public Works): Mr. Speaker, I should like to ask permission to revert to motions for the purpose of extending the reference of the special joint committee on the public service of Canada to include the right to examine and report upon the matter of the pensions paid on account of the service of former members of the R.C.M.P. and of the armed forces.

Mr. Speaker: Is this agreed?

Some hon. Members: Agreed.

Mr. McIlraith: I move:

That the special joint committee of the Senate and House of Commons on the public service of Canada be further empowered to inquire into and report upon the matter of the pensions paid on account of the service of former members of the Royal Canadian Mounted Police and of former members of the armed forces; and

That a message be sent to the Senate informing Their Honours of this resolution and requesting that house, if it concurs, to authorize the committee to inquire into and report upon this matter.

Motion agreed to.

BUSINESS OF THE HOUSE

Mr. McIlraith: Tomorrow we propose to submit to the house for its consideration first, the third reading of the bill on immigration appeals, that is item 83 on the order paper, then we will continue the matter that was before the house today, item 119, followed by items 133, 135, 86 and 134.

PROCEEDINGS ON ADJOURNMENT MOTION

A motion to adjourn the house under provisional standing order 39A deemed to have been moved.

[*Translation*]

CANADIAN BROADCASTING CORPORATION—INTERVIEW WITH REPORTED COMMUNIST ON PROGRAM "AUJOURD'HUI"

Hon. Martial Asselin (Charlevoix): Mr. Speaker, on February 15, 1967 last, I put the following question to the Secretary of State (Miss LaMarsh):

Would the minister check with C.B.C. authorities in order to find out why the C.B.C. granted an interview last week to Mr. Vachon on the program "Aujourd'hui", during which the ex-policeman said that he had decided to join the Communist party and that, in the future, he would endeavour to convince our youth to share his views on Marxism?

The debate on this question was adjourned until tonight.

I would like to make a correction here, Mr. Speaker; I made a mistake when referring to the program "Aujourd'hui". My question was prompted by a news release of the Canadian Broadcasting Corporation news service.

Like so many Canadian taxpayers, Mr. Speaker, I raised this question because I am concerned over the attitude of certain C.B.C. officials. We are getting the feeling that the Canadian Broadcasting Corporation is straying away from its cultural and educational role. This agency is financed by public funds, and taxpayers have a right to wonder once in a while if their money is not being used to promote certain doctrines in complete opposition to the principles and beliefs of the great majority of taxpayers.

I, for one, believe strongly in freedom of the press and independence for the C.B.C.; I also wish to point out that I will fight to prevent this corporation from becoming a political instrument. However, when C.B.C. officials give us the impression that the corporation is conducting socialists, separatist and, in this case, communist propaganda, it is our duty to sound the alarm and ask ourselves a few questions regarding the inclinations and orientation of the management philosophy within the Canadian Broadcasting Corporation.

When an interview is granted an ex-policeman who says that he has decided to join the Communist party and that, in the future, he will endeavour to convince our youth to share his views on Marxism, I feel we must ask ourselves whether, in this case, the C.B.C. is really fulfilling its mission which consists in bringing into our homes sound ideas and valid opinions, in order to serve the interests of a democratic country such as ours.

• (10:10 p.m.)

Mr. Speaker, I am not a McCarthyist, but I think it is time that parliament should consider setting up a board of inquiry into the C.B.C. to examine the thinking, the philosophy and the tendencies of certain employees who seem to have built up an empire, the influence of which represents hardly a marginal sector of our society but which seems to impose upon the majority a unity of thought which currently gives to this crown corporation a completely false concept of its social, cultural and artistic vocation.

[Mr. Asselin (Charlevoix).]

The consoling thought is that the new Broadcasting Act will vest the board of governors with greater authority over the programming of our radio and television stations.

It is time that the minister responsible for the Canadian Broadcasting Corporation should be removed from the very awkward position in which she is currently. It is said that the Secretary of State is responsible to parliament for the C.B.C., but that she is powerless to impose the views of parliament on the C.B.C. and that she is simply the C.B.C. messenger. I think that, in the present system, this formula must be changed.

I hope that the minister or her parliamentary secretary who will answer me tonight will forward my quite objective remarks to the C.B.C. in order to correct a situation which is becoming worse every day.

Mr. Albert Béchard (Parliamentary Secretary to Secretary of State): Mr. Speaker, in reply to the question of the hon. member for Charlevoix (Mr. Asselin), I might repeat this evening what I said on February 23 last, when a similar question was put to the Secretary of State (Miss LaMarsh) by the hon. member for Roberval (Mr. Gauthier).

In order to provide a more specific reply, since the case of Mr. Vachon has been mentioned, I must point out, however, without going over the whole story, the circumstances in which that person was accused of being a risk to the security of the state during a recent election campaign in the province of Quebec.

At that time, Mr. Vachon, who was a member of the Provincial Police, I believe, had been charged by the hon. prime minister of Quebec with being, as I already stated, a security risk. Mr. Vachon then denied that allegation of the prime minister, and has since then admitted himself that he had joined the Communist party only recently.

In view of these circumstances, the Canadian Broadcasting Corporation decided that it was a matter of public interest to bring Mr. Vachon to clarify his views on this situation on television, owing to the controversy which arose last spring.

I may say to the hon. member for Charlevoix and to this house that, through this appearance of Mr. Vachon on television, the C.B.C. had no intention whatsoever of presenting to the Canadian public the Communist policy or ideology in this country. Such is not the purpose of the C.B.C. and I believe that, in all fairness, although we may

find fault with the C.B.C., just as there are faults everywhere, we must say that the recent appearance of Mr. Vachon on television, when he stated that he was a member of the Communist party, was not the intended—

Mr. Speaker: Order. I regret to interrupt the hon. member, but his time has expired.

HEALTH AND WELFARE—REQUEST FOR HEALTH WARNING ON CIGARETTE PACKAGES

Mr. Antonio Yanakis (Berthier-Maskinongé-Delanaudière): Mr. Speaker, last week, following the publication of the report by the Department of National Health and Welfare, I asked the Minister of National Health and Welfare (Mr. MacEachen) whether his department intended to give priority to Bill No. C-130, which I introduced at the start of the session, and which would compel tobacco companies to place a warning on cigarette packages to the effect that smoking may be injurious to health; by so doing, deceitful publicity about tobacco would be limited.

In the very first place, Mr. Speaker, I wish to congratulate doctors and psychologists who made contributions to that report, as well as the officials of the Department of Veterans Affairs, who helped with the questionnaires and necessary experiments.

Mr. Speaker, that report, which contains more than 140 pages, is the result of 12 years of research and experiments. After reading it, I can only congratulate the minister and his officials for the seriousness with which it was done and I suggest that it deserves particular attention by the minister, mainly in the light of the following excerpt from the foreword:

[*English*]

The outstanding finding of this study is that cigarette smokers compared to non-smokers had excessive mortality, particularly from heart disease, lung cancer, bronchitis and emphysema. This is consistent with findings of other related studies. These findings are compelling reasons to continue and develop measures to reduce or eliminate the hazard to health attributable to smoking.

[*Translation*]

Mr. Speaker, I feel that this report has become public. I feel that it would be a serious mistake to ignore it, particularly in view of so many statements made and polls taken by teachers of medical science, psychologists, surgeons and others.

The possible danger of cigarette smoking was stressed in a report prepared by the public health service and submitted to the American Cancer Society.

According to that report, based on a poll taken between July 1964 and July 1965 and covering 42,000 American families:

—Americans over 17 suffered from 12 million more various chronic ailments than if they had not smoked.

—Americans spent 900,000 more days in bed than if they had not smoked.

—Among smokers 300,000 coronary cases, 1,000,000 cases of bronchitis or emphysema and 1,000,000 cases of peptic ulcers were noted.

—The loss from sick leave due to the effects of cigarette smoking amounts to millions of dollars.

The report states on the other hand that the total cigarette consumption has kept on increasing but that it is due to the increase in population only, each American smoking less on the contrary since the anti-tobacco campaign was launched.

In 1964, the percentage of smokers among the male population fell from 59 to 53 per cent. Furthermore, 18 million adults, which includes half the doctors, have stopped smoking.

The report states finally that the campaign against smoking had some effect, but it deplores the fact that the law passed in 1965 merely ordered the words "attention, smoking may be dangerous to your health" to be placed on cigarette packages instead of taking more vigorous steps to force cigarette manufacturers to have such warnings written on their advertisements.

Professors Francis Peyton and Charles Huggins, the two American Nobel prize winners for medicine in 1966, stressed the dangers of nicotine during a press conference in Stockholm, calling it an "undeniable source of cancer".

Professor Huggins, for his part, said that "sooner or later, cigarettes cause lung cancer and cigars cancer of the tongue or the mouth".

In a lecture given during a conference on health and tobacco addiction, Mr. Emerson Douyon, psychologist and head of the Montreal Association for Retarded Children, compared cigarette addicts to alcoholics and drug addicts who, by their behaviour, hide personality problems.

• (10:20 p.m.)

The confirmed smoker, especially the cigarette smoker, is often childish, insecure, inconsistent, and does not usually know why he smokes and why he cannot quit smoking. The habit is absurd, regressive, infantile and is also a manifestation of masochism. Smokers do not stop smoking, even when they are aware of the relationship between cigarette smoking and cancer of the lung. Statistics prove that lung cancer causes twice as many deaths, in every province and every year, as drowning. We know that safety organizations do their utmost to prevent fatal accidents, but the greatest calamity is still the number of deaths from lung cancer which, in many cases, could be avoided. Still, very few people seem to be concerned about it.

In conclusion, Mr. Speaker, I am asking the parliamentary secretary to the Minister of National Health and Welfare (Mrs. Rideout), as a result of this report, to alert the

minister about the connection between smoking and lung cancer, one causing the other. The minister himself recently announced, after an investigation by Canadian Facts Ltd., that more than a million Canadian smokers had succeeded in giving up tobacco and this, I suppose, as a result of a campaign undertaken in the United States and Great Britain—but not in Canada—by the respective governments. What is most unfortunate is to find that the same investigation has shown that more than 300 young Canadians get into the habit of smoking each day, and we know that when they have fallen into the habit, they can hardly give it up. The Parliament of Canada should follow the example of Great Britain and the United States and pass a motion unanimously asking the government to take the necessary measures—

Mr. Speaker: Order. I regret to interrupt the hon. member—

Mr. Yanakis: —to cope with lung cancer due to smoking.

[*English*]

Mrs. Margaret Rideout (Parliamentary Secretary to Minister of National Health and Welfare): The question from the hon. member for Berthier-Maskinongé-Delanaudière (Mr. Yanakis) recorded in the House of Commons *Hansard*, page 13079, for February 15, 1967, has been noted with a good deal of interest by the Minister of National Health and Welfare. Basically it refers to requiring cigarette manufacturers to specify on packages of cigarettes the following statement, which is also used in the United States:

Caution: Cigarette smoking may be hazardous to your health.

There is also reference to the elimination of misleading advertising and to the implementation specifically of the hon. member's private Bill No. C-130, to amend the Tobacco Restraint Act.

The fundamental approach of the Department of National Health and Welfare in dealing with the serious health hazards of cigarette smoking, which include heart disease, lung cancer and chronic lung disease, is to discourage cigarette smoking by Canadians. Emphasis has been placed on a program of health education and research. It might well be that the labelling of packages in a particular way with a cautionary note might be a useful adjunct to health education, but the effectiveness of this procedure and its full implications have not yet been clearly established. For example, it is necessary to consider the use of a caution regarding one harmful practice such as cigarette smoking in relation to the use of other hazardous substances, such as alcohol.

We are watching with great interest the results that may be ascribed to the use of this warning on packages of cigarettes in the United States. The feasibility of legislation in Canada for the control of cigarette advertising and for warning labels on cigarette packages is a matter of study in my department at the present time.

CANADIAN BROADCASTING CORPORATION—CRITERIA FOR DISTRIBUTION OF COLOUR TELEVISION SETS

Mr. Lawrence E. Kindt (Macleod): I rise on a point of privilege, Mr. Speaker. I do not see the Secretary of State in her seat and I do not propose to say anything to the parliamentary secretary. This is too important a matter for the parliamentary secretary.

Mr. Speaker: Order, please. There can be no point of order.

Mr. Kindt: It is a point of privilege.

Mr. Speaker: Will the hon. member kindly resume his seat. It is elementary that hon. members should resume their seats when the Speaker has the floor. I bring to the attention of the hon. member that the rules provide that either the minister or his parliamentary secretary should be here. I assume that is why the parliamentary secretary is here at this time.

Mr. Kindt: I rose on a point of privilege, sir. I said this morning that I wanted to be on the late show, provided the minister was here, and I wrote a letter to that effect to the Clerk. If the minister did not intend to be here, the Clerk should have informed me. I have wasted an hour or so. Who is running this show? Is it the Clerk, or is it the Speaker?

Mr. Speaker: Order, please. I invite the hon. member to resume his seat. This house is now adjourned.

Motion agreed to and the house adjourned at 10.28 p.m.

HOUSE OF COMMONS

Wednesday, March 1, 1967

The house met at 2:30 p.m.

THE ROYAL ASSENT

Mr. Speaker: I have the honour to inform the house that I have received the following communication:

Ottawa, March 1, 1967

Sir,

I have the honour to inform you that the Hon. J. R. Cartwright, M.C., puisne judge of the Supreme Court of Canada, acting as Deputy of His Excellency the Governor General will proceed to the Senate chamber today, the 1st March, at 5.45 p.m. for the purpose of giving royal assent to certain bills.

I have the honour to be,
Sir,
Your obedient servant,
A. G. Cherrier
Assistant Secretary to the Governor General

COMMITTEES OF THE HOUSE

FINANCE, TRADE AND ECONOMIC AFFAIRS

Mr. H. E. Gray (Essex West): Mr. Speaker, I have the honour to present the twenty first report of the standing committee on finance, trade and economic affairs.

[*Translation*]

It is said in this interim report that the committee refers back to the house the Act to amend the Bank of Canada Act, the new Bank Act, the new Quebec Savings Bank Act.

[*English*]

Thirteenth report of standing committee on public accounts—Mr. Hales.

[*Note: Text of the foregoing reports appears in today's Votes and Proceedings.*]

LABOUR CONDITIONS

RETRAINING OF WORKERS LAID OFF BECAUSE OF AUTOMOBILE AGREEMENT

Hon. Jean Marchand (Minister of Manpower and Immigration): Mr. Speaker, yesterday in response to a question from the hon. member for Burnaby-Coquitlam (Mr. Douglas) I undertook to make a statement about workers who have been laid off in the automobile industry. I should emphasize that the figures I have do not distinguish between lay-offs caused by reduced sales or similar factors and those that can be attributed to adjustments under the auto pact.

We know of a total of 5,732 people in the automobile and parts industries who have been laid off and not recalled in the course of the past 14 months; that is since January 1, 1966. Of this total, our information is that 3,063 are in other employment or have withdrawn, temporarily or permanently, from the labour force; 1,874 are registered for employment at various manpower centres; there are 795 of whom we have no current record, though we are doing our best to get in touch with them. Of the total of 1,874 now registered with manpower centres, 566 have been recommended for training courses and 296 are currently in training.

• (2:40 p.m.)

The reason the figure is not larger is that training facilities have been heavily strained in some centres, particularly Oshawa. Representations have been made to the provincial governments for the provision of increased facilities, and detailed discussions are now in progress between the manpower division and the Ontario department of education. We certainly hope this will result in increasing the training capacity available at Oshawa.

All Canada manpower centres in Ontario are making special efforts to bring the qualifications of autoworkers to the attention of prospective employers. Mobility grants are available to assist workers to move if necessary. It must be appreciated, however, that the automotive industry is a relatively high wage one and it cannot be expected that equivalent employment will be available quickly in all cases.

Hon. Michael Starr (Ontario): Mr. Speaker, this announcement by the Minister of Manpower and Citizenship points up the urgency of this whole situation. It points up the fact also that the government was not prepared to deal with this emergency. The minister has admitted that the government has been unable to cope with the retraining of these people so they might find useful employment in other industry. He mentioned that no facilities have been provided in Oshawa, the city in which most of the people affected are located.

This is another indication of the fact that this government, on all occasions when it has been faced with labour problems and other matters, has sat back on its haunches and done nothing until these situations have become critical.

This matter is not completed as yet. Yesterday I asked the Minister of Industry if he was aware of the lay-offs that were announced by General Motors affecting St. Catharines and Windsor. To this he replied again in the negative. The government is not prepared to do anything about these matters. This morning the newspapers contained an announcement that another 300 workers were being laid off by General Motors, 250 in Oshawa, 20 in Ste. Therese, Quebec and 20 in London, Ontario.

These lay-offs have been taking place every day, every week and every month since last December. All this government does is announce in the House of Commons that we do not have training facilities. It is about time they realized all these lay-offs are taking place as a result of the poor policies of this government.

Mr. Winkler: And no interest shown by the hon. member for Essex East.

Mr. Martin (Essex East): Windsor never had as many people at work.

Mr. T. C. Douglas (Burnaby-Coquitlam): It is unfortunate the minister has not got a breakdown—

Some hon. Members: Oh, oh.

Mr. Douglas: —though I think he is on his way toward one. It is unfortunate he does not have a breakdown as to the number of the 5,700 individuals who have been laid off in the automotive industry whose unemployment is due to the Canada-United States auto agreement, and those who may have been laid off for other reasons. The government has a definite responsibility with regard to those who have been laid off as a result of the auto pact. One of the two undertakings we were given by the Minister of Industry when this auto agreement was being discussed was that adequate provision would be made for the retraining of those employees who were dislocated as a result of the pact. The other undertaking was, of course, that there would be greater parity of prices in Canada as compared to the United States.

There has been compliance with neither of these undertakings. In the case of workers in the auto industry it is quite apparent now, according to the statement made by Mr. George Burt, Canadian director of the U.A.W., that there are thousands of auto workers who are not able to obtain alternative employment and who have not been able to secure retraining through the department of manpower.

This is an extremely serious situation. It seems to me that the minister cannot shuffle off on to the Ontario government the blame for the fact that there are not adequate facilities to train these men. When the Canadian government signed the auto pact they undertook to see that there would be adequate facilities to take care of training. This is a responsibility which is theirs and which they cannot shuffle off on to anyone else.

As a matter of fact, Mr. Speaker, none of the requests made by the men themselves or their representatives has been met. One of the first was that a committee should be set up on which the employers, the union and the government would be represented so the men would have notice from time to time as to the number who were going to be laid off, so the government would be acquainted with what training facilities would be required, and so there could be a co-ordinated effort to cope with this problem.

All we have had from the Minister of Labour, Mr. Speaker, are repeated statements that he has been unable to persuade the employers to agree to the setting up of such a committee. Surely one of the terms laid down in the agreement should have been that the employers would be prepared to sit down with government and union representatives to work out solutions to the problems confronting the men displaced under the auto agreement.

I want to say to the government, Mr. Speaker, that so far they have completely failed to meet their responsibilities to these men as well as to the Canadian people at large. I do not put all the blame on the minister of manpower; he has inherited this problem as a result of the lack of foresight on the part of the ministers who concocted this agreement and went into it without adequate preparation to meet the problems which an auto agreement was bound to produce.

SYDNEY, N.S.—LAY-OFFS AT STEEL PLANT

Hon. Jean Marchand (Minister of Manpower and Immigration): Mr. Speaker, yesterday I was questioned about the employment and training situation in Sydney Nova

Scotia. First on the subject of training, I should say that at the end of January there were 2,425 persons in the province of Nova Scotia who had been recommended for training by my department but for whom training places were not at that time available. The provincial authorities have been trying to remedy this situation. In the past month they have found 11 additional instructors and made places available for 210 persons in the Cape Breton area in a pre-vocational upgrading course. At this date 164 other people in the area are still waiting for places.

With regard to employment at the DOSCO steel plant at Sydney, I should say that at the beginning of last year it employed 3,560 workers and at the beginning of this year 735 fewer, a decline of 20 per cent. Intensive efforts are being made to find other work for those laid off and, indeed, referrals are going on steadily. There are some important improvements in prospect. Two new industrial operations are on the point of starting up in the area, and it is expected that heavy construction work at Port Hawkesbury in the spring will draw on Sydney for much of its labour requirements. My department will make assistance for training, mobility and placement available to the full extent of the need.

In terminating this statement, Mr. Speaker, I must emphasize that my department will fulfil its responsibilities and is ready to pay training allowance to all those who are accepted. As far as training facilities are concerned, according to our agreement with the provinces this is a provincial responsibility.

Mr. Donald MacInnis (Cape Breton South): Mr. Speaker, the minister of manpower indicated that he was going to make a report on the situation in Sydney, but he has reported not specifically on that area but on the situation generally in Nova Scotia with some reference to the Sydney area.

• (2:50 p.m.)

He referred to the number of men in training and the number awaiting places, a total of about 374 persons out of 1,100 workers laid off at the steel plant. The government has not considered those workers at all. There is unemployment in the area about which the government has done nothing. We have had lay-offs. Our naval base has been closed despite the fact that the former Conservative government established this as a permanent base. This government closed it after having promised the men in that area alternative work. Despite this promise many men in our area have been laid off.

The government is trying to do one thing with one hand and is taking it away with the other when laying persons off. There have been lay-offs in Cape Breton and in Louisbourg. Because of the differences of opinion publicly expressed the government brought the men back on the job; they tried to take the credit for that. First they fired them, then they rehired them. What contradictions have we here.

When we speak of contradictions, the minister yesterday was asked to clarify the situation that has developed with respect to the crown corporation the government intends to establish. He was asked to make a statement. Now we find the minister saying one thing and the Prime Minister saying something else. First the Prime Minister agreed that the crown corporation would do something for the steel workers; then he withdrew from that stand. Behind the Prime Minister the Minister of Industry promised that the government would do something for the steel workers when the crown corporation was established. On top of that, yesterday and today we heard from the Minister of Manpower and Immigration. He was unable to say anything about the proposed development. All those remarks are on record.

We have one minister saying one thing, and the Prime Minister saying "No." Behind the Prime Minister the Minister of Industry tried to leave the impression that the unemployed people in Cape Breton would be looked after by the crown corporation. The Prime Minister denied that, too. From all this it ought to be evident to the people of Cape Breton and others across this nation that this government does not know where it is going.

Mr. David Lewis (York South): Mr. Speaker, I do not want to repeat some of the things the hon. member for Burnaby-Coquitlam has said. It seems to me, from the statements the Minister of Manpower and Immigration has made in the past and recently, that a serious situation has been exposed. Obviously there is not much value in having a program of mobility grants or of training and retraining if there are not facilities by which such programs can be implemented. I suggest to the minister and to the house that the situation exposed by the minister's statements requires a new look to be directed at our federal policy with regard to the assistance the federal treasury gives to the provision of

facilities for training and retraining. Perhaps an entirely new program is required.

The thing most disturbing about the statement is the expression of anxiety by the minister on behalf of himself and his department. He is worried about his ability to carry out the policies in question; then he turns around and says "But I cannot do it because I have not the training facilities." Well, the responsibility exists. The minister goes on to say that it is the responsibility of the province.

This subject, of course, is one of the problems existing in Canada, and I suggest to the minister and the government with as much urgency as I can that this situation ought to force the government to bring in a new policy with respect to the provision of training facilities, finding teachers for training and doing those things necessary to implement the training and retraining program. It just is not good enough for the minister to shuffle off the responsibility to some other level of government. He should not blame some other level of government for his inability to carry out a program for which he is responsible.

My second point is this. It becomes daily more clear that the government's coal policy with respect to operations in Cape Breton and parts of Nova Scotia is obviously a half policy which will not meet the problems in Cape Breton, in particular. The government ought to take a second look at this program and consider the solution we have urged, namely that it is time to take over all the operations of DOSCO, steel as well as coal, so the workers in both industries can be integrated in a program for rehabilitating this unhappy area of Canada.

In any case, I cannot understand what these lengthy negotiations with the Dominion Coal Company are about. What is it we are buying from the Dominion Coal Company that it should take all this time to set up a crown corporation to get going toward a solution of the problems to which the minister has referred? I conclude by urging that at the proper time this house should reconsider the entire policy in connection with training facilities and particularly the policy toward that giant in the area which is becoming a pygmy at the expense of the people of Cape Breton island.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

[Mr. Lewis.]

SENIOR PUBLIC SERVICE SALARIES

Question No. 2,012—**Mr. Lambert:**

As of October 11, 1966, how many persons in (a) the employ of the public service of Canada (b) the armed services (c) the employ of crown corporations or agencies, were being paid salary, or pay and allowances, or emoluments in the following categories: (i) $18,000-$20,000 per annum (ii) $20,000-$25,000 per annum (iii) $25,000-$35,000 per annum (iv) $35,000 and up per annum?

Hon. Judy V. LaMarsh (Secretary of State): (a) (i) 522; (ii) 397; (iii) 67; (iv) 23. (b) (i) 159; (ii) 50; (iii) 12; (iv) none. (c) (i) 195; (ii) 116; (iii) 28; (iv) 7.

Air Canada, the Canadian National Railways, the Canadian Overseas Telecommunication Corporation and Polymer Corporation advise that it has not been considered in the best interests of their respective corporations to disclose data on employees' earnings other than what is available through the Dominion Bureau of Statistics.

*TAX ON ALLOWANCES TO B AND B COMMISSIONERS

Question No. 2,296—**Mr. Coates:**

Are the amounts that have been received by the commissioners of the royal commission on bilingualism and biculturalism tax exempt?

Mr. J. E. Walker (Parliamentary Secretary to Minister of National Revenue): Only to the extent of the living allowances, on a per diem basis, and the reimbursement of actual and reasonable out of pocket transportation expenses, paid in respect of absences from their normal places of residence in connection with their duties as commissioners.

*POSSIBLE CONFUSION IN NAMES OF COMPANIES

Question No. 2,377—**Mr. Stanbury:**

1. In the light of recent experience with North American General Insurance Company and Prudential Finance Corporation Limited, will the government initiate a federal-provincial survey to determine whether other companies in the financial and insurance fields are trading on the names of well-established companies?

2. What steps are being taken by the government, independently or in conjunction with provincial governments, to ensure that neither letters patent nor licences hereafter will be granted or continued in circumstances likely to confuse or deceive the public as to the identity and reputation of financial and insurance companies?

[*Translation*]

Mr. Jean Chrétien (Parliamentary Secretary to Minister of Finance): The answer to the first part of the question is as follows:

The government does not intend to undertake an investigation of such a general nature because we feel that it would not bring in the required information. The fact that two companies have similar names does not necessarily imply that a company operates by using the other one's name.

However, the government will ask that the similarity in names of financial institutions be put on the agenda of the next federal-provincial conference when those institutions are discussed.

Here is the answer to the second part of the question:

With regard to the new insurance companies, trust companies and loan companies, the Superintendent of Insurance is inquiring into the similarity in names and ordering special research work on the list kept by the Registrar General of Canada of the names of all the companies incorporated in Canada, under a federal or a provincial act. Before bills incorporating such companies are introduced in parliament, the petitioners are asked to choose a name which will not be mistaken for that of another. Any special problem is submitted to the attention of the parliamentary committees and it is up to parliament to approve the name.

With regard to insurance companies with their head office outside Canada and wanting to do business in Canada, the superintendent studies the question of similarity in names by referring to the list kept by the Registrar General of Canada. If he feels that the name might lead to confusion, he must so inform the Minister of Finance who may then forbid the company from doing business in Canada.

As for the companies that may be incorporated by letters patent under the Companies Act, the Registrar General's Department is inquiring into the similarity of names by searching through their own files and through files of the Registrar of Trade Marks. The department does not approve the name of a company if it is felt that the name could be confused with that of any other company.

The Superintendent of Insurance may take administrative measures to alter the practice of any company under his authority if he deems such practices may lead to misunderstanding or confusion.

When proceeding to an examination of legislation and regulations likely to apply to financial enterprises, not now subject to a system of supervision, particular attention will be given the need for authority to require companies to change their advertising or any other practice likely to cause mistaken identity.

This question will be considered at the next federal-provincial conference on financial institutions.

When new insurance, trust or loan companies are to be incorporated, attention will be given to the question of names similar to other corporations operating in the financial field and not only in the field of insurance, trust or loans, as the case may be.

The list of names of corporations maintained by the Registrar General will be brought to the attention of the provincial governments.

[*English*]

Mr. Speaker: Order, please. I have to interrupt the hon. member to suggest to him that such a lengthy answer to a question should be made an order for return. Would the hon. member please resume his seat? However, judging to the extent that I can see from this distance, it seems the hon. member has just about completed his statement, but if he has not he should make arrangements to give the information in some other way.

Mr. Chrétien: Ten seconds more, Mr. Speaker. I had intended to ask permission to have it made an order for return, but I have tried to read the answer as fast as I could. I will finish in ten seconds.

[*Translation*]

When an insurance company having its head office in a foreign country applies for registration under federal legislation, public notice will be required so that any protest concerning the name of the company may be heard by the Superintendent of Insurance.

[*English*]

Mr. Speaker: I repeat my caution that anyone required to give an answer of this length should consider the advisability of making it an order for return.

Questions

INCOME FIGURES, NORTHWESTERN ONTARIO

Question No. 2,436—**Mr. Reid:**

1. What are the unemployment figures for the past five years for the electoral districts of Kenora-Rainy River, Fort William, Port Arthur, and for the northwestern Ontario region?

2. What is the rate of income growth for the past five years in the above areas?

3. What is the comparison of the rate of income growth in the last five years for the above areas with the national average?

Hon. Judy V. LaMarsh (Secretary of State): I am informed by the Departments of Manpower and Immigration and National Revenue as follows:

1. Unemployment figures are not available for electoral districts.

Annual averages of unplaced applicants on file in the Canada manpower centres in northwestern Ontario are shown below for each of the past five years:

	1962	1963	1964	1965	1966
Fort William	2,294	2,128	1,841	1,471	1,316
Port Arthur	3,279	3,035	2,606	2,108	1,919
Fort Frances	607	508	563	531	439
Kenora	845	795	767	897	752
Northwestern Ontario	7,025	6,466	5,777	5,007	4,426

The areas served by the Fort William and Port Arthur centres approximate the corresponding electoral districts, and the area served by the Fort Frances and Kenora centres closely resembles the Kenora-Rainy River electoral district.

2. No income figures are available by electoral district to permit comparison but the following statistics of aggregate income reported on individual income tax returns are believed to cover approximately the area described in the question as the northwestern Ontario region:

District	Total income ($000) 1959	1964	% Growth for 5 years (1959-1964)
Kenora	50,414	60,705	20.4
Rainy River	27,378	31,759	16.0
Thunder Bay	182,092	217,306	19.3
Total	259,884	309,770	19.2

3. The rate of growth indicated on a similar absis for the same five-year period for all Canada was 39.3 per cent.

STUDY OF HIGHLAND VILLAGE, IONA, N.S.

Question No. 2,531—**Mr. Muir (Cape Breton North and Victoria):**

1. On what date was the study approved under ARDA to examine the feasibility of creating a highland village at Iona, Cape Breton Island, Nova Scotia, and to prepare a plan of action?

2. Who is conducting or has conducted such a study?

3. Has the study been completed and, if so, on what date?

4. What are the results of the aforementioned study and what plan of action has been prepared?

5. What has this study cost?

6. What remuneration has been received to date by those carrying out the study?

[Mr. Speaker.]

Hon. Maurice Sauvé (Minister of Forestry and Rural Development): 1. December 21, 1965.

2. Professor H. Spence-Sales, McGill University.

3 and 4. The study is incomplete in that no report has yet been received by Nova Scotia. The province expects the report within the next two or three weeks. The results of the study and the plan of action will not be known until then.

5. The cost agreed to with Nova Scotia is $6,000.

6. The payment of fees is arranged between the province and the contractor. The federal government has no direct relationship with the contractor; billings for the cost of the project are made by the province to the federal government.

ARDA PROJECTS, RIMOUSKI CONSTITUENCY, QUE.

Question No. 2,537—**Mr. LeBlanc (Rimouski):**

1. What is the total cost figure for ARDA projects carried out in the constituency of Rimouski from 1962 to March 31, 1965?

2. What is the figure for 1965-66?

Hon. Maurice Sauvé (Minister of Forestry and Rural Development): 1. Total cost figure of $77,442, of which the federal government's share is $41,659. This amount is comprised of:

	Total	Federal share
(a) Project 5015 Grande Coulée watercourse improvement	$ 23,851	$ 11,926
(b) Project 5035 Banville watercourse improvement	47,716	23,858
(c) Project 14004 pilot study of assistance needs of farms in Rimouski Co. P.Q., and Renfrew Co., Ont.	5,875	5,875
	$ 77,442	$ 41,659

2. Total cost of $347,300 of which the federal government's share is $167,500. This amount is comprised of:

	Total	Federal share
(a) Project 24030 forest restoration work (10 counties) (Part of Rimouski Co. involved)	$277,000	$138,500
(b) Project 24034 Ste Luce provincial nursery	20,300	4,000
(c) Project 24055 tourist development plan for Bic area in Rimouski Co.	50,000	25,000
	$347,300	$167,500

In addition, in January 1967 the federal government approved participation in the following project:

	Total	Federal share
Project 24144 Riviere du Bic watercourse	$ 69,475	$ 26,053

COST OF PREPARING ANSWERS TO QUESTIONS

Question No. 2,542—**Mr. Isabelle:**

What was the estimated cost to the different government departments for the preparation of the following answers to questions numbered 2,060, 2,063 and 2,070 (answered November 23, 1966), 2,069 (answered November 16, 1966), 1,860 (answered November 9, 1966), 2,024 (answered November 2, 1966), 1,996 (answered October 26, 1966), 1,894 (answered October 19, 1966), 1,871, 1,891 and 1,896 (answered October 12, 1966), 1,793, 1,840, 1,872 and 1,880 (answered October 5, 1966)?

Hon. Judy V. LaMarsh (Secretary of State): It is not possible to estimate the cost of answering questions on the order paper or to determine how many people are engaged in research involved in answering these questions. All departments have an official assigned to deal with parliamentary inquiries and to procure the required information from the appropriate division or divisions of the department and/or the crown corporations. Answering some questions may involve a number of people and represent many man days of labour. In many cases the information requested is not available at the departmental headquarters in Ottawa and must be requested from regional offices or centres in one or all ten provinces or from Canadian offices abroad to compile data.

NAPALM EXPORTS TO U.S.

Question No. 2,548—**Mrs. MacInnis (Vancouver-Kingsway):**

1. Did Canada export napalm to the United States in 1966?

2. If so (a) how much was paid by the United States for it (b) what Canadian firm or firms manufactured this napalm?

Hon. Judy V. LaMarsh (Secretary of State): I am informed by the Ministers of Industry and Trade and Commerce as follows. As far as the Canadian Commercial Corporation is concerned: 1. No.

2. Not applicable.

As far as the Dominion Bureau of Statistics is concerned: The Dominion Bureau of Statistics has no information on exports of napalm from Canada.

HOUSING ASSISTANCE, PICTOU LANDING INDIAN RESERVE, N.S.

Question No. 2,550—**Mr. MacEwan:**

1. Is it the intention of the government to provide money for housing at the Pictou Landing Indian reservation at Pictou Landing, Nova Scotia?

2. If so (a) when will this money be provided and in what amount (b) what type of housing will be provided (c) will the money provided be restricted to new housing or can it be used for repairs to older homes?

Hon. Arthur Laing (Minister of Indian Affairs and Northern Development): 1. No. A meeting of the chiefs of all bands within the Shubenacadie Indian agency was held recently to discuss the problem of housing. The chief of the Pictou Landing Indian band which occupies the Fishers Grant reserve near Pictou Landing, Nova Scotia, was also present. It was determined that no new houses are required for 1967-68.

2. (a) N/A; (b) N/A; (c) Subject to the approval of parliament, a minimum of $6,000 will be provided during 1967-68, for repairs to older homes.

INTEREST FREE LOANS TO OTHER COUNTRIES

Question No. 2,575—**Mr. Jorgenson:**

1. How many countries have received interest free loans from Canada since 1963, and what are their names?

2. What were the amounts of these loans and on what dates were they made?

3. Through what agency are they made and what are the terms of the loans?

Hon. Mitchell Sharp (Minister of Finance): 1, 2 and 3. See attached table. The loans are administered by the external aid office.

Interest-free loans to developing countries

Country	Amount of loan (thousands of Cdn. dollars)	Service charge (% per annum)	Duration	Date signed
Ceylon	$ 1,000	3/4 of 1%	50 years incl. 10 years grace period	January 11, 1966
	1,500	"	"	March 22, 1966
Ecuador	1,260	3/4 of 1%	50 years incl. 10 years grace period	August 5, 1966
El Salvador	3,240	3/4 of 1%	35 years incl. 5 years grace period	May 5, 1966
Guyana	1,800	nil	50 years incl. 10 years grace period	November 3, 1966
India	2,150	3/4 of 1%	50 years incl. 10 years grace period	April 20, 1966
	7,000	nil	"	December 28, 1966
Jamaica	700	3/4 of 1%	50 years incl. 10 years grace period	September 7, 1965
	925	"	"	September 7, 1965
	600	"	"	July 13, 1966
	500	"	"	November 1, 1966
	800	"	"	November 1, 1966
Nigeria	3,500	1965–70: nil 1971–90: 6%	25 years incl. 5 years grace period	November 5, 1965
Pakistan	23,363	3/4 of 1%	50 years incl. 10 years grace period	December 29, 1965
Paraguay	800	3/4 of 1%	50 years incl. 10 years grace period	November 9, 1966
Tanzania	450	nil	50 years incl. 10 years grace period	December 23, 1966
	2,000	"	"	January 26, 1967
Trinidad and Tobago	650	3/4 of 1%	50 years incl. 10 years grace period	December 15, 1965
	400	"	"	December 15, 1965
	400	"	"	February 24, 1966
	500	"	"	April 26, 1966
	800	"	"	April 26, 1966
	340	"	"	May 13, 1966
	750	"	"	May 13, 1966
	350	"	"	July 12, 1966

NEWS FACILITIES FOR OVERSEAS ARMED FORCES

Question No. 2,581—**Mr. Kennedy:**

What facilities, broadcast and printed, with Canadian content, are made available to our Canadian armed forces and their families serving abroad e.g. in N.W. Europe and the Middle East, in order to keep them currently informed on Canadian affairs?

Hon. Léo Cadieux (Associate Minister of National Defence): There are two service radio stations in Europe broadcasting to 4 Canadian Infantry Brigade and 1 Air Division. An 1,800 word bulletin of world and Canadian news, plus sports scores, is obtained from Canadian Press and is relayed daily except Saturdays. In addition a tape

recording of the 10 p.m. C.B.C. news broadcast is made by station C.B.O. Ottawa and relayed by direct telephone daily except Sundays at approximately 11 p.m. Short wave transmissions are made five times daily in English and French of world and Canadian news, sports and other topical events. Radio and t.v. sound recordings of current C.B.C. English and French network programs are supplied weekly to both service radio stations. Cable and land line transmissions of major sporting events such as Grey cup, Stanley cup games and other events of national importance, i.e., Dominion day programs, planned centennial celebrations are also made.

In so far as the Middle East is concerned 168 copies of the Toronto *Globe and Mail* and the Montreal *La Presse* are despatched each Tuesday. This consists of 14 copies of each newspaper for six days. Every two weeks 140 daily subscriptions of eight other Canadian newspapers are delivered by service aircraft. A condensed review of all major Canadian sporting activities plus world sport events is despatched twice weekly to the Middle East and Cyprus, as well as other overseas locations.

Radio and t.v. sound recordings of current C.B.C. English and French network programs are supplied weekly for broadcast on closed radio circuit. In addition the five daily broadcasts in English and French are beamed to the Middle East as well as Europe. Kinescope film recordings of semi-final and final games of all major Canadian sporting events are supplied.

TEXTILE IMPORTS

Question No. 2,605—**Mr. Allard:**

Regarding question No. 1,640 which was answered on July 8, 1966 (a) in 1966, what countries exported textile products to Canada (b) for the year 1966, and for each of these countries, what were these products and what was the total value of the textile products imported by Canada, in each of textile groups (a), (b), (c), (d) and (e) as referred to in reply to question No. 1,640?

[*Translation*]

Mr. Jean-Charles Cantin (Parliamentary Secretary to Minister of Trade and Commerce): Import statistics for the year 1966, compiled by the Dominion Bureau of Statistics, will not be ready until some time in April. The information requested in this question will require further compilation and will be available shortly after that date.

[Mr. Cadieux (Terrebonne).]

[*English*]

SOUTH SASKATCHEWAN DAM AND IRRIGATION PROJECT

Question No. 2,619—**Mr. McLelland:**

1. What is the total expenditure to date by the federal government on the construction of the South Saskatchewan river dam and irrigation project?

2. What is the total expenditure to date by the federal government on the erection of the spillway portion of the South Saskatchewan river dam and irrigation project?

3. What is the total expenditure to date by the federal government on the construction of the Qu'Appelle dam on the South Saskatchewan river dam and irrigation project?

4. What is the total expenditure to date by the federal government on studies conducted to preserve the Cree Indian shrine known as the Mistaseni?

5. What is the total expenditure to date by the federal government on demolition of the Cree Indian shrine known as the Mistaseni?

Hon. J. J. Greene (Minister of Agriculture): 1. $121,634,209.32 of which $24,674,454.70 has been recovered from the province of Saskatchewan.

2. $19,524,409.62.

3. $8,589,229.32.

4. $300 (This does not include cost of department's engineering staff.)

5. $958.82.

EXPORT AGENTS FOR WHEAT BOARD

Question No. 2,632—**Mr. Schreyer:**

1. With respect to all wheat sales to (a) the United Kingdom (b) Japan, in the last crop year, how many firms acted as exporting agents of the Canadian wheat board?

2. What was the volume and total selling price of each firm's transactions?

3. What consideration, value, or margin did these firms receive for the transactions specified above (a) in toto (b) per unit?

Mr. Bruce S. Beer (for the Minister of Trade and Commerce): 1, 2 and 3. The Canadian Wheat Board advises that it is not its policy to disclose the competitive position of grain companies with regard to their transactions with the board. The trade's operations are of a commercial nature and information concerning their negotiations with foreign buyers is not available to the government.

WHEAT AGREEMENTS WITH RUSSIA AND CHINA

Question No. 2,634—**Mr. Schreyer:**

1. In the current Canadian Wheat Board master sales agreement with (a) the U.S.S.R. (b) China,

what volume of wheat has been shipped and what is the total value of shipments?

2. What proportion does this bear to the total commitment under the master sales agreement?

3. Of the total value of shipments already made, what proportion of this value has not yet been received on account?

4. How many firms have been involved in these transactions as agents of the wheat board?

5. What volume and value of grain has been handled or transacted by each of these firms acting as agents of the wheat board?

6. What payment was made or what value was received by these agent firms with respect to their transactions under these two master sales agreements to date?

Mr. Bruce S. Beer (for the Minister of Trade and Commerce): 1 and 2. The current long term wheat agreement between the U.S.S.R. grain agency Exportkhleb and the Canadian Wheat Board covers the period August 1, 1966 to July 31, 1969 and provides for the purchase and supply of nine million long tons (336 million bushels) of wheat and flour. The current long term wheat agreement between the China National Cereals, Oils and Foodstuffs Import and Export Corporation and the Canadian Wheat Board also covers the period August 1, 1966 to July 31, 1969 and provides for the purchase and supply of a minimum of four and one half million long tons (168 million bushels) and a maximum of seven and one half million long tons (280 million bushels) of wheat. The Canadian Wheat Board has concluded sales contracts with Exportkhleb for 112 million bushels of wheat and flour and with the China National Cereals, Oils and Foodstuffs Import and Export Corporation for 93 million bushels of wheat for shipment in the 12 month period ending July 31, 1967 and the board advises that shipments are proceeding on schedule. According to the D.B.S. publication "Trade of Canada" the quantity and value of wheat and wheat flour shipments to the U.S.S.R. and China in the August through October period were 33.8 million bushels worth $67.6 million and 34.6 million bushels worth $65.5 million, respectively.

3. All wheat sales to the U.S.S.R. have been on a cash basis and full payment is received at the time of shipment. Sales to mainland China are on credit terms of 25 per cent cash at the time of shipment with the balance in 18 months.

4, 5 and 6. The Canadian Wheat Board advises that it is not its policy to disclose the competitive position of grain companies with regard to their transactions with the board. The trade's operations are of a commercial nature and information concerning their negotiations with foreign buyers is not available to the government.

ASSISTANCE FOR HOSPITAL CONSTRUCTION, REGINA, SASK.

Question No 2,636—**Mr. Douglas:**

1. Has the government of Saskatchewan approached the federal government for special assistance for the construction of a new base hospital in Regina?

2. If such an approach has been made, have any proposals been put forward to establish this hospital as a teaching and research centre in conjunction with the Regina campus of the University of Saskatchewan?

3. What has been the reply of the federal government to any such representations?

Hon. A. J. MacEachen (Minister of National Health and Welfare): 1. Yes, to the extent that such a project appears on an initial list of projects making up a five-year program in Saskatchewan for support by the health resources fund.

2. To be eligible under the Health Resources Fund Act the project has to be established for the purpose of teaching or research in the health field. It is understood that this proposed hospital will be a teaching hospital and that it will be affiliated with the University of Saskatchewan.

3. The project has yet to be approved by the health resources advisory committee set up under the act. No payment can be authorized by the Department of National Health and Welfare unless the project is part of a five-year program approved by this committee. The next meeting of the committee will probably be held in April.

*SELECTION OF HOSTESSES, EXPO '67

Question No. 2,646—**Mr. Sherman:**

1. How many hostesses have been selected for Expo '67 and, of that number (a) what proportion are from western Canada (i.e., Manitoba, Saskatchewan, Alberta and British Columbia (b) how many of French speaking background are from Manitoba?

2. How many persons from western Canada (as defined in part 1 above) applied for jobs as hostesses for Expo '67 and of these, how many were of (a) English speaking background (b) French speaking background?

3. How many persons from Manitoba applied for jobs as hostesses for Expo '67?

4. On what basis were the persons chosen as hostesses for Expo '67 selected?

Questions

Mr. Jean-Charles Cantin (Parliamentary Secretary to Minister of Trade and Commerce): Mr. Speaker, the answer is as follows: 1. 220. (a) Manitoba, 2; Saskatchewan, 5; Alberta, 2; British Columbia, 11; total: 20. (b) 1.

2. 160. (a) 115; (b) 45.

3. 29.

4. The criteria used in the selection of hostesses were: (1) Canadian citizen; (2) Minimum 20 years of age; (3) High school graduation or better; (4) Bilingual; (5) Physical appearance and personality; (6) Previous experience; (7) General knowledge of Canada; (8) Available as of January 26 to October 27. All applications were received and initial screening done by Canada manpower, and the Quebec employment service for those applicants in Quebec.

CANADIANS 100 YEARS OLD

Question No. 2,648—**Mr. Tucker:**

How many Canadian citizens residing in Canada are 100 years of age or over, and in what provinces do they live, by province?

Mr. Jean-Charles Cantin (Parliamentary Secretary to Minister of Trade and Commerce): The number of persons reporting their age as 100 years or over, in the 1961 census of Canada is as follows:

Newfoundland	2
Prince Edward Island	6
Nova Scotia	23
New Brunswick	14
Quebec	47
Ontario	125
Manitoba	15
Saskatchewan	20
Alberta	24
British Columbia	38
Canada	314

PENSION PLAN OFFICE, GASPÉ, QUE.

Question No. 2,652—**Mr. Keays:**

1. With reference to the news release of February 15, 1967, concerning the Canada Pension Plan extension of services, does the department concerned contemplate using the facilities now vacant at the Unemployment Insurance Commission at Gaspé, Quebec, for establishing a district office?

2. If so, when is it expected that this service will be opened?

Hon. A. J. MacEachen (Minister of National Health and Welfare): 1. No such action is contemplated since the Canada Pension Plan does not operate in the province of Quebec.

2. Not applicable.

[Mr. Sherman.]

ANNUAL BUDGET OF TRAVEL BUREAU

Question No. 2,654—**Mr. Jamieson:**

What was the Canadian Government Travel Bureau's annual budget for the past ten years, including 1966-67?

Mr. Jean-Charles Cantin (Parliamentary Secretary to Minister of Trade and Commerce): The actual expenditures of the Canadian Government Travel Bureau for the past nine years are as indicated below. The figure provided for 1966-67 is the estimated expenditure for the current fiscal year. 1957-58, $1,930,766; 1958-59, $2,206,129; 1959-60, $2,299,939; 1960-61, $2,682,516; 1961-62, $2,974,851; 1962-63, $3,341,428; 1963-64, $3,868,359; 1964-65, $4,908,713; 1965-66, $6,332,549; 1966-67, $10,070,000 (Estimated—including $1.4 million for Centennial advertising).

PURCHASE OF PAINTING "SUNDAY AFTERNOON"

Question No. 2,660—**Mr. Coates:**

Who made the decision to purchase a painting "Sunday Afternoon" by Claude Breeze, what was the reason for the purchase and how much was paid by the Canada Council for the painting?

Hon. Judy V. LaMarsh (Secretary of State): I am informed by the Canada Council that the painting "Sunday Afternoon: from an old American photograph" by Claude Breeze was purchased for $900 as part of the council's purchasing program, on the recommendation of three directors of Canadian public art museums, who consider Mr. Breeze a very talented young artist and that particular painting one of his best.

*PROVISION OF COLOUR TELEVISION SETS BY C.B.C.

Question No. 2,661—**Mr. Diefenbaker:**

1. What are the names and addresses of individuals, other than officials or employees of the Canadian Broadcasting Corporation, who have been the recipients of and/or have had free use of the colour T.V. sets recently purchased by the C.B.C.?

2. Are any members of parliament among those to whom colour T.V. sets were delivered by or on behalf of the C.B.C.?

3. Since the question was placed on the order paper some weeks ago, how many of the said sets have been returned to, or delivered to, the C.B.C. by the recipients?

Hon. Judy V. LaMarsh (Secretary of State): Mr. Speaker, I am informed by the C.B.C. as follows: 1. Sets were assigned to members of the C.B.C. board of directors, to the Canadian representative of the British Broadcasting Corporation, to the office of the Secretary of State, to the Prime Minister's residence and to Government House. It has been C.B.C. practice for some years to make sets available as a courtesy to these offices and individuals.

2. See answer to 1.

3. There have been changes in three positions to which colour sets were assigned. (1) One position has a new occupant who will use the set assigned to this position. The former occupant does not require a set in his present assignment. (2) One position has been abolished and the set is being held for reassignment when required. (3) One position is vacant and the set is being held for use by the next occupant.

*DELAYS IN APPLICATIONS FOR TRADE MARKS

Question No. 2,676—**Mr. Woolliams:**

1. Is the trade marks branch of the Department of the Registrar General, owing to a shortage of staff, now several months behind in the examination of applications in reference to trade marks?

2. Would the minister kindly investigate the situation, and what promise does he hold for applications being delayed presently or to be delayed in the future?

Hon. John N. Turner (Member of the Administration): 1. The normal processing time for the examination of trade mark applications based on proposed use of trade marks has not changed, but a slight delay has been encountered in the processing time of applications based on use of trade marks, due to a higher turnover recently in the examining staff. The production, of course, of the newly employed examiners, because of their lack of experience, cannot be as high as that of former employees.

2. Arrangements, however, have been made with a view to remedying the situation.

QUESTIONS PASSED AS ORDERS FOR RETURNS

COMMUNITY DEVELOPMENT PROGRAM

Question No. 2,380—**Mr. Orlikow:**

1. How many community development officers and community development assistants have been appointed since the government announced its community development program?

2. What are the names, academic qualifications and previous experience of each of the officers and assistants appointed?

3. What were the dates of appointment of each of these community development officers and/or community development assistants?

4. How many of the community development officers and community development assistants appointed since the start of the program are still working on Indian reserves?

5. Of those who are no longer working for the department, what was the date of resignation or dismissal of each?

6. Of those who resigned, what was the reason given for resignation?

7. Of those who were dismissed, what were the reasons for dismissal?

8. What was the total establishment for community development officers and assistants approved by the cabinet up to the fiscal year 1966-1967?

9. How many of these positions are now filled, how many vacancies exist and how many of the personnel have been converted to non-community development work?

Return tabled.

CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS

Question No. 2,529—**Mr. Langlois (Mégantic):**

What is Canada's contribution to each international organization in which Canada is a member, for each of the last five years?

Return tabled.

ASSISTANCE TO SHEEP PRODUCTION

Question No. 2,549—**Mr. Kennedy:**

From its inception to the end of the year 1966, what was the amount of federal assistance, per year, paid to each province, or producers in each province, as assistance to sheep producers (a) through transportation assistance to sheep breeders (b) through premium on "A" and "B" graded lambs (c) deficiency payments on wool (d) any other assistance in respect to sheep production?

Return tabled.

[*Translation*]

MOTIONS FOR PAPERS

Mr. Albert Béchard (Parliamentary Secretary to Secretary of State): Mr. Speaker, notice of motion for papers No. 211 is acceptable to the government subject to the usual reservations concerning privileged papers.

Notice of motion No. 213 is acceptable to the government subject to the usual reservations concerning privileged papers and to the authorization of the governmental authorities concerned.

Mr. Speaker, I ask that all other notices of motion stand.

Inquiries of the Ministry

[*English*]

CORRESPONDENCE RESPECTING FORT NO. 1, LAUZON, QUE.

Motion No. 211—**Mr. Caouette:**

That an order of the house do issue for a copy of all correspondence exchanged between the city of Lauzon, the school board and any other body, Mr. Raynald Guay, M.P. (Lévis), and all departments concerned with regard to Fort No. 1 in Lauzon.

Motion agreed to.

DUCK LAKE, B.C.—DEVELOPMENT AS WATERFOWL SANCTUARY

Motion No. 213—**Mr. Herridge:**

That an humble address be presented to His Excellency praying that he will cause to be laid before this house a copy of all communications exchanged between the Minister of Indian Affairs and Northern Development and the minister of recreation and conservation, or any officials of his department, of the province of British Columbia, with respect to the development of Duck lake as a waterfowl sanctuary.

Motion agreed to.

DOMINION-PROVINCIAL RELATIONS

QUEBEC—PROPOSED CREATION OF DEPARTMENT OF EXTERNAL AFFAIRS

On the orders of the day:

Right Hon. J. G. Diefenbaker (Leader of the Opposition): Mr. Speaker, I would ask the Prime Minister whether his attention has been drawn to the fact that a bill has been introduced in the Quebec legislature to set up through legislative action what might be termed a department of external affairs empowered to deal with other countries. I ask the Prime Minister whether any consultation took place in this connection, and whether the government is of the same view as that expressed when the Lesage government was entering into treaties a couple of years ago. What is the government's attitude in this regard, and what does the government intend to do?

Right Hon. L. B. Pearson (Prime Minister): Mr. Speaker, I have not received a copy of the bill in question, but when I do receive it I will study it with some interest. I do not think a copy of the bill has been received by any member of the government.

We have not been consulted as to its contents, but in view of the reports that have appeared in the press, which may or may not be accurate, based on the terms of the bill, I feel I should say that to the extent that such a bill purports to set up the administrative machinery which the Quebec government feels it requires for the performance of the functions assigned to its competence, this is a matter for the Quebec government to decide and I have no comment to make.

Inasmuch as the new department being created is reportedly to be entrusted with responsibilities in the external field, such as relations between Quebec and foreign countries and the negotiation of agreements with those governments, I can say this. Our view of the constitutional position in Canada in respect of the federal government's exclusive responsibility for the conduct of the country's external affairs has been put clearly on record in the statement issued on April 23, 1965, by my colleague the Secretary of State for External Affairs, and has been reiterated on other occasions in this house by myself and the Secretary of State for External Affairs. There should be no doubt as to the position in this regard.

Mr. Diefenbaker: Is it not a fact that the Quebec government entered into treaty arrangements? Did not the government of Canada—and as I recall it this was expressed by the right hon. Prime Minister—take the view that under the British North America Act there was no provision for exclusivity in so far as foreign affairs are concerned because at the time the British North America Act became the law of the United Kingdom and the constitution of Canada our foreign affairs were handled in the United Kingdom?

Mr. Pearson: Mr. Speaker, the right hon. gentleman has not stated the situation accurately in so far as the actions taken by the previous government of Quebec are concerned. Any agreements made by that government with other countries in respect of cultural and educational matters have been made under a master agreement entered into by the federal government with the countries in question.

Mr. Heward Grafftey (Brome-Missisquoi): Mr. Speaker, I have a further supplementary question. Does this situation not again point up the desirability of setting up a parliamentary study of our constitution as quickly as possible?

Mr. Pearson: No, Mr. Speaker. It underlines the desirability of observing the existing constitution.

[*Translation*]

Mr. Maurice Allard (Sherbrooke): I wish to put a supplementary question to the right hon. Prime Minister. Is it not true that the Statute of Westminster rendered null and void section 132 of the constitution of Canada, which concerns the signing of treaties with foreign countries and that in view of the lapsing of this provision, the provinces have also international authority.

Mr. Speaker: I am sure the hon. member for Sherbrooke will agree that his question is argumentative.

Mr. Gilles Grégoire (Lapointe): Mr. Speaker, in view of the fact that the right hon. Prime Minister has just stated that the present constitution must be respected, would he say whether this also applies to the federal government?

[*English*]

INDUSTRY

SPEECH BY MINISTER RESPECTING WAGE PARITY WITH U.S.

On the orders of the day:

Mr. T. C. Douglas(Burnaby-Coquitlam): Mr. Speaker, I should like to direct a question to the right hon. Prime Minister. Has his attention been drawn to the speech made by the Minister of Industry to the Reform club of Montreal on Monday, February 27 in which he stated that wage parity with the United States was not realistic at the present time? Does this represent considered government policy and, if so, will this be applicable in respect of those industries where there is parity of productivity per man hour with the United States?

Right Hon. L. B. Pearson (Prime Minister): Mr. Speaker, this is a very technical and a very important question. So far as the first part is concerned, it is the government's feeling that it would be inadvisable to try to bring about general wage parity with the United States at this time. So far as the second part is concerned, I should like to look into the matter.

Mr. Douglas: I have a supplementary question. Does the Prime Minister agree with the implications of the statement by the Minister of Industry to the effect that this pressure for parity of wages where parity of productivity is apparent is the result of international unions wishing to make Canadian production non-competitive with the United States?

Mr. Speaker: Order. I think the hon. member is now asking for an expression of opinion, and the question to this extent is not acceptable.

Mr. Douglas: Mr. Speaker, I rise on a point of order. I was not asking the Prime Minister for an expression of opinion. I was asking him whether the Minister of Industry was expressing government policy.

Mr. Speaker: That is a different question, and I find it difficult to reconcile the hon. member's explanation with the question.

Mr. Pearson: Mr. Speaker, perhaps I could be permitted to say that I am very interested in the hon. gentleman's acceptance of the principle that wages should be linked to productivity.

Mr. Douglas: Mr. Speaker, I should like—

Mr. Speaker: Order, please. The Chair recognizes the hon. member for Ontario.

Mr. Douglas: May I be allowed to rephrase my supplementary question?

Mr. Speaker: Order, please. The Chair has recognized the hon. member for Ontario.

Hon. Michael Starr (Ontario): Mr. Speaker, in view of the enunciation of the policy of wage parity in the automobile industry by the Prime Minister a few minutes ago, will he now indicate if it is government policy not to have price parity in respect of the automobiles being manufactured by these workers?

Mr. Pearson: I did not say that.

Mr. Starr: Will the Prime Minister say whether it is the policy of the government that there should not be parity in respect of prices of automobiles manufactured by these workers?

Mr. Pearson: Mr. Speaker, I believe that as a result of action on the part of the government this industry is moving in that direction.

INDIAN AFFAIRS

REPORTED RECOMMENDATION THAT CAUGHNAWAGA RESERVE BE LEASED FOR DEVELOPMENT

On the orders of the day:

Mr. Frank Howard (Skeena): Mr. Speaker, I should like to direct a question to the Minister of Indian Affairs and Northern Development. Have Professors Hawthorne and Tremblay reported to the government

recommending that the Caughnawaga Indian reserve be leased to a trust company for development, and that the Iroquois people of Caughnawaga be moved elsewhere? If such a recommendation has been made will the minister reject it as preposterous, monstrous and completely contrary to our concept of human rights?

Mr. Speaker: Order, please. The first part of this question should be placed on the order paper and the second is out of order.

Mr. Howard: With all due respect I agree with the second part of your ruling, but this question involves a matter which is of immediate importance affecting the human rights of a number of Canadian citizens who are liable to be moved from their home lands. I think the minister should be given an opportunity to answer.

[*Translation*]

AGRICULTURE

QUEBEC—REQUEST FOR INCREASE IN MILK SUBSIDY

On the orders of the day:

Mr. Henri Latulippe (Compton-Frontenac): Mr. Speaker, I wish to address a question to the hon. Minister of Agriculture.

Does the hon. minister intend to grant the urgent request of the C.F.U., asking that the price of fluid milk be set at $5 per hundredweight.

Hon. J. J. Greene (Minister of Agriculture): Mr. Speaker, our dairy policy will be announced before the beginning of the dairy year.

[*English*]

AIR TRANSPORT

INQUIRY AS TO RESTRICTIONS ON DC-6 AND DC-7 AIRCRAFT

On the orders of the day:

Mr. H. A. Olson (Medicine Hat): Mr. Speaker, yesterday I addressed a question to the Minister without Portfolio regarding a restricting order in relation to altitude and pressurization in respect of DC-6 and DC-7's as a result of the serious accident in the United States. The minister took the question as notice, but in view of the number of these aircraft being used in western Canada in regular passenger service I should like to ask him whether these planes will be permitted to fly only at the altitudes directed by the Department of Transport, which may cause serious discomfort to passengers, or have altitude regulations been changed? I might say the minister was good enough to send me a partial answer this morning.

Mr. Speaker: Order, please.

Mr. Olson: Mr. Speaker, I rise on a point of order. The Minister without Portfolio was about to answer my question, or at least that was my assumption.

Hon. John N. Turner (Acting Minister of Transport): Mr. Speaker, I took it from your posture that you considered the question out of order.

Mr. Speaker: Order, please. I may say that I do not consider the question out of order, but the hon. member himself indicated that he had already received at least a partial reply from the minister, so I took it that he would want to place his question on the order paper, or that he expects to receive the balance of the reply from the minister in due course.

Mr. Olson: Mr. Speaker, may I say to you with respect that I did not expect to place it on the order paper. I think it is urgent because, as I said, a number of these aircraft are being used, and if a restriction is placed in a certain regulation I should like to ask the minister whether the altitude at which the aircraft can fly and other regulations have also been altered so that people can travel in these aircraft without serious discomfort as a result of the restricting order.

Mr. Turner: Mr. Speaker, I should like to clarify this situation. Following the recent DC-6 incident in the United States and pending further investigation, the Department of Transport has issued, as a precautionary measure, an airworthiness directive restricting DC-6 and DC-7 aircraft registered in Canada to unpressurized operation. The department will be reviewing this situation; consequently I am unable at present to answer that part of the question just put to me.

FINANCE

POSSIBLE REDUCTION IN RESERVE REQUIREMENTS UNDER BANK ACT

On the orders of the day:

Hon. Marcel Lambert (Edmonton West): Mr. Speaker, in the regrettable absence of the Minister of Finance I should like to direct my question to the Prime Minister. In light of the action of the United States federal reserve board reducing the reserve requirements from

4 per cent to 3 per cent on savings deposits, will the government even at this late date take into consideration a reduction in the reserve requirements under the Bank Act amendments, which have now been reported back to the house?

Right Hon. L. B. Pearson (Prime Minister): Mr. Speaker, I would certainly want to discuss this matter with the Minister of Finance.

Mr. T. C. Douglas (Burnaby-Coquitlam): I have a supplementary question, Mr. Speaker. Is there any truth to the report that the government intends to present an amendment to the Bank Act to reduce the shares which Citibank may own in the Mercantile Bank from 25 per cent to 10 per cent?

Mr. Speaker: Order, please. The hon. member knows that he cannot ask for confirmation or denial of a report.

IMMIGRATION

DOCUMENTATION SYSTEM RESPECTING ARRIVAL AND DEPARTURE OF VISITORS

On the orders of the day:

Right Hon. J. G. Diefenbaker (Leader of the Opposition): Mr. Speaker, I wish to direct a question to the Minister of Manpower and Immigration. It has to do with the new documentation system which provides a record of the arrival of visitors and confirms their departure. I should like to ask the minister why this was brought into effect during Expo year, when we want to secure as many visitors as possible. The second part of my question is why this system is not made applicable to the United States, yet applies to the United Kingdom.

Hon. Jean Marchand (Minister of Manpower and Immigration): Mr. Speaker, it was not decided to implement this policy because of Expo. You will recall, Mr. Speaker, that last spring when we decided to make special regulations concerning visitors to Canada who had no status it was mentioned in the house that in the future we would try to gather more information with regard to such visitors and exercise better control over them. We have enacted these regulations to prevent a recurrence of this situation. It is absolutely accidental that the regulations come into effect in the Expo year.

They will not apply to United States citizens and residents for two reasons. The first is that about 34 million or 35 million visitors from the United States come to Canada each year, and of course we cannot control such a large number, so that only United States citizens and residents will be exempted from this regulation. The other reason is that since the United States is so close, it is not too difficult to send back the unwanted visitors. However, when visitors from European countries or other more distant parts of the world come here and decide to stay in Canada, it is much more difficult to send them back. For this reason I think the difference in treatment is justified.

Mr. Diefenbaker: My question to the minister is whether the purpose of this regulation is to ensure that people shall not enter this country unlawfully. If so, would it not apply with greater force when 35 million visitors arrive here from one part of the world? Yet these visitors do not come within the ambit of the regulations, while those coming from the United Kingdom and other Commonwealth countries find themselves discriminated against.

Mr. Marchand: Mr. Speaker, the intention of the regulation is to control visitors who come here on a visitor's visa and decide to stay. Most of them, or 99.9 per cent, come from countries other than the United States. We have no trouble with those who come from the United States and it is very easy to send them back home. Our main problem is with visitors who come here with the intention of staying. We want to be able to exert some control over them, and we do not wish the situation which existed in the past to be renewed in the future.

Hon. Michael Starr (Ontario): I have a supplementary question, Mr. Speaker. I wish to ask the Minister of Manpower and Immigration whether those who come here from central Europe on a visitor's visa are now required to post a bond of $1,000?

Mr. Marchand: Mr. Speaker, this requirement applies only to those who we have reason to believe intend to stay here, not to all visitors who come from countries behind the iron curtain.

Mr. Speaker: Order. May I suggest that since we are running short on time we might go on to another subject.

Mr. Starr: Mr. Speaker, I rise on a question of privilege. The minister said a moment ago that these regulations apply only to those who the department has reason to believe will stay here. Since this matter affects the applicants

and members of parliament who intercede on their behalf, I think it is imperative that we should know how the government can recognize those who intend to stay here when they apply for visitors' visas.

Mr. Speaker: Order, please. This is not a question of privilege, and the point made by the hon. member is argumentative.

NATIONAL DEFENCE

CHANGE IN ARMED FORCES PROPOSED IN WHITE PAPER

On the orders of the day:

Hon. Gordon Churchill (Winnipeg South Centre): Mr. Speaker, my question is for the Secretary of State for External Affairs. In a public statement yesterday the chief of defence staff, with the approval of the Minister of National Defence, stated that the defence white paper of 1964 proposed a transformation in the role that Canada wishes to play in international affairs.

Hon. Paul Martin (Secretary of State for External Affairs): I rise on a point of order, Mr. Speaker. The hon. gentleman, as an experienced member of the house, knows perfectly well that it is not within the rules of the house for any hon. member to ask a question in respect of evidence given before a committee which is sitting while the house itself is in session. That is the rule of the house, and no one should be expected to observe it more closely than the hon. gentleman himself.

Hon. Michael Starr (Ontario): I rise on the same point of order, Mr. Speaker. Since the Secretary of State for External Affairs brought this up himself may I say that when he was in the opposition he did more to evade the rules of this house than anyone else.

Mr. Martin (Essex East): If the hon. member wishes my discarded opinions he may have them.

Mr. Speaker: Order, please. I am in agreement with the point made by the minister in so far as the rules are concerned. Perhaps if the hon. member for Winnipeg South Centre is seeking information, which should be the purpose of asking questions, he might rephrase his question in such a way as to elicit information.

Mr. Churchill: Mr. Speaker, I do not wish to infringe on the rules, but this was a public statement made at a public meeting. However, I will pay attention to the susceptibilities of the minister and will rephrase my question.

Mr. Diefenbaker: The minister will have to apologize.

Mr. Churchill: Was there a proposal contained in the defence white paper of 1964 that there would be a transformation in the role of Canada in foreign affairs, and that that transformation now requires the destruction of the identity of the navy, army and air force and the formation of a single service with a common rank structure and a common uniform?

Mr. Martin (Essex East): Mr. Speaker, all I can say is that the white paper was brilliantly conceived and has been brilliantly executed.

Mr. Diefenbaker: It has certainly been executed.

Mr. Fairweather: With apologies from those hanged.

Mr. Churchill: The minister supported the white paper in a public address made in September 1964. May I ask the following question. When he suggested that one of the proposals made in the white paper would be the formation of a small, highly trained force for effective deployment in peace keeping operations under the United Nations and for other purposes, was it his intention to provide intervention by force of arms in some trouble spot in the world?

Mr. Diefenbaker: The minister is speechless.

NATO—POSSIBLE CHANGE IN CANADIAN MILITARY CONTRIBUTION

On the orders of the day:

Mr. Andrew Brewin (Greenwood): Mr. Speaker, I have a question which I can address, I think, either to the Secretary of State for External Affairs or the Minister of National Defence, because it refers to the responsibilities of both. In the light of the hopes expressed in the recent United Kingdom white paper on defence estimates that by the end of June, 1967 there will be discussions and revisions of NATO commitments which will produce an agreement on the size and composition of forces and the military roles of the various partners, has the government made any proposals to the other governments with regard to the size, composition or military role of the Canadian contribution to NATO forces in the future?

Hon. Paul Martin (Secretary of State for External Affairs): Mr. Speaker—

Mr. Speaker: Order. It seems to me the hon. member should agree that this question is much too large in context for a question on orders of the day.

An hon. Member: The question is too large for the minister.

Mr. Diefenbaker: The minister has a prepared statement in answer to the question.

Mr. Speaker: The minister may want to revert to motions, but for the moment I recognize the hon. member for Oxford.

SUGGESTED JOINT MEETING OF DEFENCE AND EXTERNAL AFFAIRS COMMITTEES

On the orders of the day:

Mr. W. B. Nesbitt (Oxford): Mr. Speaker, I have a question for the Secretary of State for External Affairs. In view of the observations made by General Allard before the defence committee yesterday, which observations involve the foreign policy of the country, would the minister recommend to his colleagues in cabinet that in the immediate future the defence committee be joined by the house committee on external affairs in a joint meeting to study the armed services unification bill?

[*Later:*]

Mr. Nesbitt: I rise on a point of order, Mr. Speaker. A few minutes ago I addressed a question to the Secretary of State for External Affairs concerning a joint meeting of the defence and external affairs committees. I believe, Your Honour, that the Secretary of State for External Affairs was just extricating himself from his seat when Your Honour gave the floor to another member. I was wondering if the minister might have a chance to reply.

Hon. Paul Martin (Secretary of State for External Affairs): Mr. Speaker, if it had not been for the running interference immediately opposite I would have been able to deal with the question right away. The external affairs committee may meet at any time, and I think this type of question could be dealt with in that committee. However, I see no reason for the suggestion made by my hon. friend.

Inquiries of the Ministry

HOUSE OF COMMONS

TRIBUTE TO WELSH PEOPLE ON ST. DAVID'S DAY

On the orders of the day:

Mr. J. N. Ormiston (Melville): Mr. Speaker, I rise on a point of privilege. In the unavoidable absence of the member for Shelburne-Yarmouth-Clare, who I understand is of Welsh ancestry, may I take the opportunity to bring to the attention of the house the importance of March 1, the day when Welshmen and those of Welsh ancestry honour their patron saint, St. David. The contribution of the Welsh people is well known, especially in the field of arts and music. So may I say to those lovers of the land of the leek, "I echyd da".

Some hon. Members: Hear, hear.

TRANSPORT

INQUIRY AS TO PROPOSED SURCHARGES ON CARGOES TO VANCOUVER

On the orders of the day:

Hon. E. D. Fulton (Kamloops): Mr. Speaker, may I ask the Minister of Trade and Commerce if he has anything to report on his negotiations with regard to the surcharges on freight entering the port of Vancouver proposed by the shipping conferences of Japan and San Francisco, which surcharges were to become effective today?

Hon. Robert Winters (Minister of Trade and Commerce): In the case of San Francisco I understand that the surcharges will not apply. The proposed arrangement has been cancelled. The same applies for Hong Kong. In so far as Tokyo is concerned, the date of application has been deferred until March 17 and we are hopeful it too will be cancelled.

Mr. Fulton: Since the date of March 17 has been mentioned will the minister give it the "good old Irish" in his negotiation, to assure the outcome?

Mr. Winters: One way or the other.

INDUSTRY

AUTOMOBILES—REQUEST THAT MANUFACTURERS REDUCE PRICES

On the orders of the day:

Mr. A. D. Hales (Wellington South): Mr. Speaker, I have a question for the Minister of Industry. In view of the great decrease in car sales in Canada and the large number of

unemployed people in industry, as well as the minister's statement that the prices of Canadian cars would be reduced, can the minister assure the house that he has made firm requests to the car manufacturers that prices be reduced?

Hon. C. M. Drury (Minister of Industry): Mr. Speaker, I think the car manufacturers are as conscious as anyone else of the desirability of reducing the sale price of cars to the lowest level possible with a view to stimulating sales.

Mr. Hales: Can the minister assure the house that it was part of the agreement that prices would be reduced?

Mr. Drury: Mr. Speaker, I am not sure to which agreement the hon. member is referring. It is quite clearly understood by the motor car manufacturers that one of the principal objects of the automobile agreement and its concomitant arrangements is lower manufacturing costs and consequently lower manufacturers' sale prices of automobiles in Canada.

Hon. Michael Starr (Ontario): Mr. Speaker, I have a supplementary question for the Prime Minister, and I wish to put it in the form of a plea on behalf of those who are continually being laid off as a result of the auto pact signed with the United States. In view of the announcement yesterday that 300 more workers are being laid off by General Motors, 250 in Oshawa, 20 in Ste. Therese, 10 in Windsor and 20 in London, will he not agree now, in the interests of all of these people, to bring the auto pact before a standing committee of the house so we can find out why these people are being laid off and perhaps stop these lay-offs?

Right Hon. L. B. Pearson (Prime Minister): Mr. Speaker, I think the hon. gentleman quite unfairly and misleadingly, though he may not mean to be misleading, attributes all these lay-offs to the automotive agreement, and that is not the fact.

Mr. Starr: Let us find out the facts.

Mr. Pearson: My hon. friend says "Let us find out the facts". He has already made up his mind. He says these lay-offs are due to this pact, so what more does he hope to find?

Mr. Starr: Then prove you are right.

Mr. Donald MacInnis (Cape Breton South): May I ask a supplementary question of the Prime Minister. Will he explain to the house that part of his answer which he implies is not the fault of the auto pact?

Mr. Eric A. Winkler (Grey-Bruce): May I ask a supplementary question. Can the Prime Minister inform the house how many of the models previously produced in Canada are now produced in the United States?

Mr. Speaker: Order. The hon. member is asking for statistical information.

Right Hon. J. G. Diefenbaker (Leader of the Opposition): I know the Minister of Industry is anxious to answer questions. In view of the fact that this agreement was to bring about cheaper cars for Canadians, how does he explain the fact that motor cars manufactured in Canada are sold in the United States at prices competitive with the lower United States prices? Why do you not give the same right to Canadians?

Mr. Speaker: Order, please.

CANADIAN BROADCASTING CORPORATION

PROVISION OF TELEVISION SETS TO MEMBERS OF PREVIOUS GOVERNMENT

On the orders of the day:

Mr. R. W. Prittie (Burnaby-Richmond): Mr. Speaker, I have a question for the Secretary of State related to the question she answered about television sets. Could the minister tell us whether television sets were supplied by the C.B.C. to the secretary of state and the prime minister of the previous government?

Mr. Speaker: Order, please. I doubt that this question is in order.

IMMIGRATION

PROVISION FOR ESTABLISHMENT OF APPEAL BOARD

Hon. Jean Marchand (Minister of Manpower and Immigration) moved the third reading of Bill No. C-220, to make provision for appeals to an immigration appeal board in respect of certain matters relating to immigration.

Mr. David Lewis (York South): Mr. Speaker, I do not want to reiterate too much of what was said at earlier stages of the present bill. However, we cannot let the bill receive third reading without again expressing our protest against some of the thoroughly undesirable features which the minister insisted on retaining.

May I say, Mr. Speaker, that I am sure all of us on this side of the house were grateful to the minister for accepting a number of suggestions and implementing them in amendments.

• (3:40 p.m.)

One of the suggestions which he accepted and in respect of which he introduced an amendment was to broaden the area in which sponsors could launch an appeal to the appeal board. You will perhaps recall, Mr. Speaker, that the original proposal in the bill would have limited the right of appeal to citizens of Canada. After a great deal of discussion on the floor of this chamber the minister accepted suggestions from this side and came back with an amendment which changed the word "citizen" to "person". So that as far as the general right of appeal contained in the first sentence of clause 17 is concerned, any sponsor, citizen or non-citizen, it would seem from the wording, would be able to appeal to the immigration appeal board in accordance with the provisions of the bill and the regulations which are to follow its passage.

Having done that, Mr. Speaker, the minister then turned around and took to the governor in council the power to limit the area in which that right may be exercised. He took to the governor in council the power by regulation, as I understand the amendment that the minister brought in, to state which classes of sponsor may use the right of appeal. In answer to an interjection of mine at one point to the effect that it seemed to me that he intended by regulation to limit the right of appeal to citizens and to exclude non-citizens, the minister stated, if I remember his words correctly, "It may be". So it seems that that is the intention of the minister and his department.

Thus, Mr. Speaker, having used language in the first sentence to extend the right of appeal to all sponsors, the minister then takes upon himself or upon the government the authority to limit the class of sponsor that may appeal. He also gives to the governor in council the authority to state in respect of which classes of proposed immigrants such an appeal may be made. In other words, clause 17 as now worded in the amended bill gives a general right to all sponsors to appeal if they feel aggrieved, and it reserves to the government the right by regulation to limit the area within which that appeal may be exercised.

I do not think I use language too strong, Mr. Speaker, when I say that I find that an odious provision. I find it odious for several reasons of principle. First, it seems to me axiomatic that if you give a right of appeal to a class of person, every member of that class ought to have the opportunity of exercising it if he so wishes. Any proposition whereby parliament lays down a general rule giving everyone in a certain class a right of appeal and then gives to the government the authority to say which persons within that class can exercise that right of appeal is completely unacceptable and thoroughly reprehensible. If parliament does recognize that people have the right of appeal to the immigration appeal board, then parliament should be the one to decide which groups of people within that class may or may not appeal. That decision should not be left to the governor in council.

Second, it seems to me that this will lead to the exercise of a kind of arbitrary, bureaucratic discrimination, and this also is unacceptable. What will be the criterion used to decide which class of sponsors may use the right of appeal and which may not, or to decide in respect to which class of relative the right may be used? This decision will be made by the minister and his advisers. They will decide to start at a certain point, and I expect that at the beginning this right will be limited to citizens only. It will be limited to the closest of relatives, perhaps mothers and fathers, and all others will be excluded.

In these matters, Mr. Speaker, you cannot make decisions arbitrarily. I say that to the minister with the utmost respect to him. You may easily have a case whose elements and characteristics are a great deal more urgent but which falls into the group that is excluded rather than the group that is included. It may be more important, though from the humanitarian point of view more heartbreaking, to keep out someone who is a little more distant than a mother in certain cases than to keep out someone who is a mother. The circumstances of each case are separate and distinct and have to be dealt with on their merits in each particular case. For this reason, Mr. Speaker, the arbitrary decision which is going to be made under the proposed clause 17 of the present bill is unacceptable.

Third, Mr. Speaker, the bill is unacceptable to me because the whole purpose of the immigration appeal tribunal seems to be vitiated by this power which is reserved unto the government. I understood that the purpose of the bill was this. Under the present act you have to go through the procedure of making application to the officers of the department, then to an inquiry officer, then to an appeal

board, and then beyond the appeal board to the minister. It is that situation which the minister sought to correct, if I understand aright. In effect, what the minister said to parliament—and I commend him for it—was that he wanted to place appeals on such matters in the hands of a tribunal which will have the final decision; the decision should not be shunted from the appeal tribunal back to him to have the final word on the matter.

It seems to me that by reserving to the government the right to limit the classes of people who may appeal, or on whose behalf an appeal may be launched, the minister is preserving precisely what he sought to get rid of. The old procedure will still be there. It will be possible to go through the officers of the department and up to the minister for a decision. The old appeal board, of course, will not be in existence, so that in cases where the present appeal procedure is excluded the appellants concerned will have fewer avenues of approach than they had before. They will be able to go through officialdom to the minister only without any appeal tribunal being available to them.

What is the purpose of this? As I understood the minister, he said that we have to do this in order to find out how the new appeal procedure will work and whether it will work happily. As I asked the other day, Mr. Speaker, work happily for whom? The minister is concerned about the number of appeals. He came to the committee and the committee agreed unanimously that he should have the authority to appoint up to nine members to the appeal board instead of only seven. We have agreed to the provision in the bill that one member of the board is sufficient to hear the evidence, even though a panel of members of the board will have to make the decision in the matter.

I should like to repeat what I said to the minister at an earlier stage, that we ought to give everybody who so wishes the opportunity to use the right of appeal which is provided for in clause 17. If at a later date the minister finds from experience that his policy is not working, that some harm is being done, that something untoward is occurring, then he can come back to parliament with a new plan. I would hope that that plan would be one to increase the number of people who sit on the appeal board, perhaps to establish a number of panels at points across Canada to deal with appeals instead of merely having the one board with panels travelling across the country.

[Mr. Lewis.]

I submit that the minister should not at this point start by introducing what I can only describe as the deliberate creation of a delusion in the minds and hearts of the people affected that they have a right of appeal, only to find that the governor in council will tell them that they do not have that right as a result of an arbitrary decision having been made which is entirely unrelated to the particular circumstances and merits of the case. This we cannot accept, Mr. Speaker. Neither can we agree to third reading of this bill so long as this undemocratic, undesirable and reprehensible reservation of power to the government is retained in clause 17 of the bill. I therefore move, seconded by the hon. member for Winnipeg North Centre (Mr. Knowles):

• (3:50 p.m.)

That Bill C-220 be not now read a third time, but that it be referred back to the committee of the whole house for the purpose of reconsidering clause 17 thereof.

[*Translation*]

Hon. Jean Marchand (Minister of Manpower and Immigration): Mr. Speaker, I shall not go over everything that was said on second reading in committee of the whole. The hon. member for York South (Mr. Lewis) did not bring up any new arguments. It was more of the same. All I can do, obviously, is to repeat what I have already said.

There is only one point I should like to stress. I can only agree wholeheartedly with the hon. member for York South when he deals with the merits of the case. We have asked, or rather, I have asked that this section might be applied progressively by order in council for a very good reason: a new right is being granted Canadian citizens, Canadian residents. As I have said, we are trying out something new. What will be its impact? Will the Appeal Board, as we are setting it up, as we see it, really suffice to take this into account? Perhaps it will be necessary to change it. Then, if such a move is imperative, it will have to be made. Therefore, all I asked and all we ask, is a chance to conduct experiment and to extend it progressively until everybody is on the same footing.

There is no doubt, Mr. Speaker, that it would not be sensible to give certain classes of citizens in Canada certain rights which would be denied to others.

Canada is the first country, as far as I know, to give a right to sponsor, a legal right, a right with a right of appeal to a court, and what we are asking the house is merely an

opportunity to experiment in order to ascertain exactly what impact this may have on our policy.

The board itself will have much to learn in this respect. I feel it is only reasonable that the house let us make this experiment in a broad-minded way, contrary to the suggestion made by the hon. member for York South. We want the governor in council to extend this right to a maximum. Therefore, we are not providing restrictions to this right.

I suggest that this right can and should be granted to everyone, and we should not use the word "limit". Why should this right appear in the bill, if we do not want to grant it? No one forced us to do so. We felt that it was—and we realize that it must eventually be considered,—a matter of right and we simply ask to proceed step by step in order to find out whether the proposed structure is really the right one. If we have to change it, if we discover that we are swamped because of the inadequacy of our structures, the process will be temporarily halted, so as to enable the house to change the structure, the sponsoring, the right of a sponsor to appeal, to make adjustments concerning the board. That is the only purpose.

When the member for York South deals with merit, I shall not answer him, because I agree with him. There is only one point—he used what may not be called a misleading argument, but could become one—which is that we never suggested in the house that there would be distinctions within a given class. Should we state that Canadian citizens are entitled to sponsor, then it would mean that all Canadian citizens are entitled to do so; if we were to say, at a given time, that landed immigrants are entitled to sponsor, then we would be extending this right to all landed immigrants, and the governor in council must in no way discriminate between Canadians and immigrants. Therefore, we have no intention of discriminating, or using discretionary powers; all we want, and this seems quite reasonable to me, is the opportunity to experiment something new, which was never tested before in any country, and of embarking ourselves in a venture which is at present unknown to us. That was the spirit in which it was submitted, Mr. Speaker.

[*English*]

Hon. R. A. Bell (Carleton): Mr. Speaker, I believe, with great respect, that the minister has missed the whole point of the amendment. I will not argue again the case put forward in committee when the minister moved certain amendments to clause 17. Immediately thereafter what he had given with one hand he took away with the other. In response to criticisms from this side he presented amendments which I styled sophistical. I still think they were sophistical. The ministers' amendments extended the category of appellant from a Canadian citizen to any person, including a landed immigrant. Then he took the power away. Behind the closed doors of the cabinet chamber he has the right to say that it shall be only a Canadian citizen or some class of Canadian citizen who may appeal. The minister retained the power to determine what classes of relatives shall be included. As I say, he gave with one hand and took away with the other.

I do not doubt the minister's personal sincerity, but he will not be minister very long. He will not retain his present portfolio for long because I do not think anybody could take on his leadership responsibilities in Quebec and retain the responsibilities of the portfolio of manpower and immigration. Frankly, I think to do both things is impossible. The minister will have to leave a portfolio as heavy as that of manpower and immigration. That portfolio is no part time job.

For these reasons he may not be the minister for much longer. We do not know who may be the new minister, who will be the person with the right at any time to present a recommendation to the cabinet to close the door on the class of persons who may appeal. We do not know who may close the door on classes of relatives. It is not good enough to give power to the governor in council sitting behind closed doors to reduce this clause to a total nullity, because that is what is happening.

Even at this late date I suggest that the minister should reconsider the position of the government. He should adopt the reasonable position suggested to him by members on this side during debate in committee of the whole house. In many particulars the minister showed considerable flexibility as the bill went through committee. As the bill stands at third reading it has been greatly improved over the bill which received second reading. On few occasions have I seen as many useful amendments adopted in the committee of the whole house. The bill has been improved and would be improved more if the minister allowed it to go back to the committee of the whole as proposed by this amendment, and if he gave effect to the representations which I had the privilege of making in committee.

Those representations were made by other members also. If the minister did that we should pass a bill of which he would be proud.

Mr. David Orlikow (Winnipeg North): Mr. Speaker, I waited during the remarks of my colleague from York South and the hon. member for Carleton (Mr. Bell) to see what some hon. members on the other side of the house who were so vocal in the special committee dealing with the white paper and in their espousals of a fair system of immigration would say. I have waited to see whether hon. members like the hon. member for Parkdale (Mr. Haidasz), the hon. member for Fort William (Mr. Badanai), the hon. member for Hamilton West (Mr. Macaluso) and the hon. member for Essex West (Mr. Gray) would rise to protest even midly a provision in this bill which is to my mind contrary to the whole spirit of the immigration policy we have ostensibly espoused.

• (4:00 p.m.)

Amid great fanfare the government came to parliament with a white paper on immigration and this bill and announced that for the first time in Canada it was intended to eliminate the practices of the past whereby people from some countries were considered to be better than people from other countries, practices which gave citizens of Britain, France and other northern countries every opportunity to enter while making it much more difficult for prospective immigrants from countries farther south to do so. Government spokesmen said that additional provisions would be made. Educational qualifications and qualifications based on skills would be introduced but they would be the same for everybody. I believe I am right in saying there was almost unanimous agreement both in the house and in the country that this attitude was the correct one to take.

But lo and behold, here we have a clause which leads one to the conclusion that the statements made on behalf of the government did not really mean very much. The minister is proposing here that the government shall have the power to restrict the rights of certain people compared with other people. He says this provision is experimental and that as time goes by it will be made more liberal. If I could be sure that the present minister, for whom I have considerable regard, would stay in his job longer than past ministers of immigration have done, I might not be so worried about this clause as I am. But we have no assurance that this minister will be on the job for very long. Nor have we any assurance that a future minister either in this or in some other government might not wish to use the power provided in this clause to impose a restrictionist policy as followed in the past. There would be nothing to prevent another minister getting an order in council passed to the effect that all non-white people who have the right to sponsor relatives shall not enjoy the right to appeal when the department says that the applicant sponsored may not enter this country. Or the minister could secure an order in council to the effect that no Italian who is sponsoring the entry of a relative into Canada should have the right to appeal an adverse ruling of the department.

This is wrong in principle. I am not saying the minister would propose anything of this kind. But having adopted a principle that there shall be no discrimination on the ground of race, colour, religion or nationality in respect of immigration, and having set up an appeal board so that a sponsor can appeal against a decision reached by the department, it seems to me completely wrong that the minister should be able to say by order in council at some future time that certain people who have the right to sponsor immigrants shall no longer have the right to appeal when the decision is one with which the department does not agree. This cannot be justified.

The minister says this is a temporary thing. But the provision in the bill is not temporary. It is not stated that the right of the minister to obtain an order in council shall exist for two, three or five years while the government considers how the system is working. For as long as the bill is in force the governor in council will have the right to decide what classes of people shall have the right to appeal. This kind of provision ought not to be approved and the minister should agree to remove this clause from the bill. As I say, I am surprised we have not heard from members on the government side who disagreed with such a provision in the committee. We have not heard any objection from them.

[*Translation*]

Mr. J.-A. Mongrain (Trois-Rivières): Mr. Speaker, like many of my colleagues I am somewhat reluctant to extend the debate, but things have been repeated which I think call for the repetition of certain arguments that are not in agreement with those advanced a while ago.

So, we have before us an amendment moved by one of our colleagues of the New

Democratic Party, who proposes that the bill be not now read a third time but be referred to a committee of the house with spceific instructions to reconsider clause 17.

The argumentation of the hon. member for York South (Mr. Lewis) and some other colleagues is that the bill does not entitle everybody to equal treatment as regards the right of appeal in immigration matters.

• (4:10 p.m.)

I listened to the minister's explanations and I thought I could detect in them what I would call a conciliatory attitude which at times bordered on the desire to apologize. Mr. Speaker, I feel that there is no need for apologies. Some principles have apparently been forgotten and the fact is that, first of all, the right to immigration is a privilege that no country has to grant to anyone.

If I decide to bring a child into my home and adopt it, that child has no right to force anything on me; in short, no one can force anything on me unless freak accidents happened on the way, which is not the case in immigration.

I believe that an immigrant who wishes to settle in Canada is unable to assert his claim to remain in the country if the government feels there are some objections. It is not impossible for the government to have some information causing it to refuse the right of citizenship to an immigrant, perhaps not necessarily because of his shortcomings or weaknesses, but on account of incidents which, without involving him personally, make him all the same a risk for the security of the country. That is why I say that the government should retain such powers of authority.

I fail to understand why some relentlessly object to the government exercising the authority conferred legally upon it by our constitution. It has been said on several occasions: We have a lot of confidence in the present minister, but he will not be there forever and we do not know who will be there at a later time.

Mr. Speaker, I should not be concerned if the hon. member for Carleton (Mr. Bell) or any of his colleagues, except one or two I will abstain from specifying in a spirit of Christian charity, or even the hon. member for York South, were to be appointed Minister of Immigration. I should not be concerned, I say, to allow them discretionary powers in cases that must precisely be handled with discretion and settled expeditiously, because if settlement of these cases were to be delayed by unending procedures, the security of Canada would be endangered for all kinds of reasons.

Mr. Speaker, I think that power of discretion must be left with the government in some instances. Besides—and now I am almost tempted to be mean—I would say to our friends of the New Democratic Party that they are casting stones while living in a glass house, since not later than today the Ottawa *Citizen* reports that two young men, who were members of the New Democratic Party, for reasons which seem to me quite insignificant, have lost their membership cards and find it difficult to get them back. I notice also that a representative of the New Democratic Party stated this:

[*English*]

"We don't like giving reasons for why we would refuse membership," Mr. Harney continued. "We don't like leaving ourselves open for libel suits."

[*Translation*]

If this is true for the New Democratic Party, it could be true, all the more, for the government, whichever it is—today it is a Liberal government, maybe some day it will be an N.D.P. or a Conservative government. But I think that the principle remains the same. We must preserve in our country the principle of authority, and establish an arbitration principle among authorized representatives. The Canadian people want to be protected against what I could call the use of force, even against individuals who can, through all kinds of resources and assistance from learned legal advisers, drag out procedures with the risk of seeing those undesirable people stay here longer than necessary.

Mr. Speaker, I confess that such obstinacy in always doubting the objectivity and the professional ethics, the concern for the common good of the responsible members of government, surprises me greatly. To me, it is a kind of moral revolution which tends, in the long run, to undermine the confidence of the Canadian people in their administrators.

What is the reason for that obstinacy in suggesting that there might be something more "arbitrary" in the decision of one minister or even two ministers who base their decision on reports which have been prepared by serious people, from various sources and various bodies. I cannot believe that any minister, whoever he is, to whatever party he

belongs, can be influenced by personal reasons and refuse to a person of good will, who would be an asset to this nation, the right to citizenship.

Even if it were just a doubt that cannot be disproved by unquestionable facts, I think the government should give the benefit of the doubt to the Canadian nation rather than to the immigrant who wants to come and live in our country.

I think the door to our country has been opened wider to immigrants. I believe that, as a rule there is no limitation for any group of people, except in very special cases. I think it would be unwise to go further than that for the time being or, at least, until the present legislation has been tried.

Mr. Speaker, as I said, I am looking at the situation as objectively as possible. I do not believe I am prejudiced against anyone in this house, and it sometimes happens—I said it the other day—if things come to the worst, that I correct the views expressed by some members of the New Democratic Party or the Progressive Conservative party. I do not worry at all about saying frankly, in public, that the more I listen to their arguments concerning this matter of granting to the immigrants the open door treatment, the more I find they are adopting a disturbing position and the more disquieting their arguments are, because they are in danger of damaging in the public mind the trust that should be placed in the administrators of this country.

Mr. Speaker, I feel it is not right to attack the authorities on the basis of possible discrimination. In my opinion, this amendment should be rejected and the motion for third reading of Bill No. C-220 should be passed without further delay, thus putting this legislation to the test for the next 12 months. I am sure that if discrimination exists, we will hear about it during the next 12 months, for I know we have watch-dogs of democratic rights who will surely bring the matter to our attention. I hope I am not offending anyone by using the term "watch-dogs", because this word is to be found in the Scriptures referring to silent dogs, blaming silent dogs. I am sure there will not be any silent dogs here if ever a government abused its powers in this field; hon. members will not hesitate to bring up this matter in the house, thus enabling parliament to reconsider and amend the legislation in the light of new developments.

[Mr. Mongrain.]

[*English*]

Mr. Jack Roxburgh (Norfolk): Mr. Speaker, I should like to say a few words at this point. The hon. member for Winnipeg North (Mr. Orlikow) made a certain statement about members on this side not speaking. I am going to speak on the subject but first I would like to correct the impression being created by hon. members on the other side of the house that it is only they who are taking a stand with respect to the proposed immigration appeal board.

Since first being elected to the house some four and a half to five years ago the committee on immigration on which I have served has been united and of one mind so far as immigration is concerned. Politics has played absolutely no part in its proceedings. But here in the House of Commons hon. members on the opposite side, including our good friend from Carleton, have hardly ever opened their mouths on the subject of the white paper simply because it was the Liberal members who were taking up all the time in presenting ideas to improve the white paper.

I notice that the hon. member for York South (Mr. Lewis) is now doing quite a bit of talking on the subject. I think it would be very nice if the New Democratic Party would let some of its members who served on the committee carry the ball. Do those members not have the ability to carry the ball or do they intend to rely on the person who is supposed to take over the leadership of that party from the hon. member for Burnaby-Coquitlam (Mr. Douglas)? Is this the only way that the hon. member for York South can gain recognition in the House of Commons?

Hon. members opposite must acknowledge that there has never been a minister in charge of any bill who has co-operated more fully than the Minister of Manpower and Immigration (Mr. Marchand) in devising a new policy, a new idea, and a white paper such as the Conservative and other previous governments never even thought of bringing into being.

Mr. Brewin: May I ask the hon. member a question?

Mr. Roxburgh: When I finish my remarks, Mr. Speaker. We are dealing with something new, new thoughts and new ideas introduced by the minister, his department and the committee of the house. I have to agree that from the moral aspect there is a point to the

amendment; there is certainly good in it. I am not arguing against that.

• (4:20 p.m.)

The present minister is a very hard worker and I am sure there will be radical changes in the white paper. He is a man who has stood on his feet before and I am sure will stand on his feet again in opposition to anyone who opposes necessary changes. This man has spoken until three o'clock in the morning about what the government intends to do to improve this legislation. Let me appeal to hon. members opposite to give him a chance to see what he and his department can do. If they do not propose beneficial changes and I am in the house I will vote in opposition to the government for an amendment of the type suggested. Again I appeal to hon. gentlemen opposite to work with this man who is trying to work with them.

Mr. Brewin: Mr. Speaker, I should like to ask the hon. member who has just concluded whether he is aware of the fact that the bill now under discussion was not referred to the committee on immigration which discussed the white paper on immigration?

Mr. Roxburgh: Yes, Mr. Speaker, I am aware of that fact.

Mr. Stanley Haidasz (Parliamentary Secretary to Minister of Indian Affairs and Northern Development): Mr. Speaker, in view of the remarks made in the house this afternoon on third reading of Bill C-220, I feel compelled to make some observations. I do not intend to prolong the debate because I know the government and the minister want the bill passed, but I should like to state, especially to those hon. members who have made remarks concerning me, that they should read my speech made in this chamber last Monday. At that time I tried to direct the attention of the Minister of Manpower and Immigration (Mr. Marchand) to the representations which have been made, not only to me but also to other members of the house, to the effect that many Canadian citizens believe the present classes of relatives who can be sponsored for admission to Canada are restrictive. I paid a tribute to the Minister of Manpower and Immigration last Monday and the week before when speaking on this bill. He is making history in this country as a result of bringing in the white paper on immigration and Bill C-220.

I appreciate the views of hon. members opposite and I share with them their concern that, althought it is entirely possible to eliminate irrational forms of discrimination from Canadian legislation, as the white paper proposes to do, certain legislation we now have makes it possible to discriminate by setting certain criteria or standards which erect barriers to admission to Canada. What I should like the minister to do this afternoon is tell hon. members again how we as members of parliament can explain the last three lines of clause 17 of Bill C-220 to assure our constituents and those Canadian citizens who make representations to us that they will not be discriminated against if they desire to bring to Canada relatives who are inadmissible according to the white paper which limits admissible relatives to unmarried nieces and nephews under age 21.

Many Canadian citizens wish to bring their next of kin to Canada. They may have no brothers, sisters, nieces or nephews alive in the old country. They may want to bring their first, second, third or fourth cousins here. These Canadian citizens should have the right to do so. If the regulations are interpreted in such a way that they are prevented from doing so, they should have the right to appeal and explain the circumstances to the appeal board. If that board turns them down, they should have recourse to the minister. At this time the minister should again explain to us how we can handle complaints from our constituents in respect of the problems I have just raised.

Let me join with the hon. member for Norfolk (Mr. Roxburgh) who is a very faithful member of the special joint committee on immigration with very strong views in respect of justice as it should be dispensed in matters of immigration. I should like to see this bill passed in order that its benefits will become available to Canadian citizens and the country as a whole. I realize that the minister is sincere in his approach and will find some way out of this dilemma. Let me say also that as a member of the committee on immigration, like the hon. member for Norfolk, I will see to it that the recommendations we bring in dealing with classes of relatives who may be sponsored will be wide enough to satisfy the representations of our constituents.

Again let me emphasize the necessity to widen the classes of relatives who can be sponsored. The people of Canada desire this change. We are here to legislate for the people rather than for certain theoreticians. In closing my remarks let me say I consider it my duty, when we bring in our recommendations in respect of the white paper and have

Division

an opportunity to discuss the government's bill, to do my best to see that any discrimination which may exist in Bill C-220 is eliminated.

Mr. Steven Otto (York East): Mr. Speaker, I do not feel compelled in any way to take part in this debate but I wish to say a few words in connection with the apprehensions expressed about the last three lines of clause 17. There seems to be a general impression that this appeal board will be the panacea to all our problems. That is not the case. There also seems to be an impression that immigration matters should be removed from federal government responsibility. I am sure the hon. member for Carleton (Mr. Bell) would be the first to object if he could not pin down someone in this house in connection with immigration problems.

With the establishment of the appeal board we will establish two classes of appellants and two classes of relatives. The hon. member for York South (Mr. Lewis) said that in a court such as this, and it will be a court, great emphasis will be put on precedents. Obviously smart, good lawyers, and therefore expensive ones, will do a better job than mediocre lawyers, so that before we know it we will have a class of immigration lawyers who will charge big fees. If such is the case then automatically we will have two classes of applicants.

• (4:30 p.m.)

On the other hand, I cannot accept the minister's point of view which he expressed in the words "we will try it and see". I cannot accept legislation based on trial and error. I am sure the minister did not mean that, because any legislation which we pass in the house is enforceable and should mean exactly what it says. We should not take the attitude that we will see what happens and if it does not work out we will do something else. I am sure the minister did not mean that.

I have no objection to retaining the last three lines of clause 17 because it will give me and other members of the house an opportunity to question the minister from day to day, whereas if these lines were not included the minister could say, as we have been told in the case of the C.B.C., "It is out of my hands. It is in the hands of the appeal board." On the other hand, I do not think that these three lines will provide the solution which some members in the house feel they may.

Mr. Marchand: Mr. Speaker, may I answer the hon. member?

[Mr. Haidasz.]

Mr. Deputy Speaker: The minister will require the unanimous consent of the house to speak now. Is there unanimous consent of the house?

Some hon. Members: No.

Mr. Bell (Carleton): If the minister speaks again some of us may wish to say another word.

Mr. Deputy Speaker: Is the house ready for the question?

The house divided on the amendment (Mr. Lewis) which was negatived on the following division:

• (4:40 p.m.)

YEAS

Messrs:

Aiken	Lambert
Alkenbrack	Lewis
Baldwin	MacEwan
Ballard	MacInnis
Barnett	(Cape Breton South)
Beaulieu	MacLean (Queens)
Bell (Carleton)	MacRae
Brand	McCleave
Brewin	McCutcheon
Cameron (Nanaimo-	McIntosh
Cowichan-The Islands)	McKinley
Cantelon	McQuaid
Chatterton	Madill
Churchill	Martin (Timmins)
Clancy	Mather
Coates	Moore
Crouse	Muir (Lisgar)
Danforth	Nasserden
Diefenbaker	Nesbitt
Dinsdale	Noble
Douglas	Nowlan
Enns	Nugent
Fane	Orlikow
Fawcett	Ormiston
Forbes	Pascoe
Forrestall	Peters
Fulton	Prittie
Gilbert	Pugh
Grafftey	Rapp
Gundlock	Régimbal
Hales	Ricard
Harkness	Saltsman
Herridge	Schreyer
Horner (Acadia)	Scott (Victoria (Ont.))
Howard	Simpson
Howe (Wellington-Huron)	Smallwood
Irvine	Southam
Jorgenson	Starr
Kindt	Thomas (Middlesex West)
Knowles	Winch
Korchinski	Winkler—80.

NAYS

Messrs:

Addison	Batten
Allard	Béchard
Andras	Berger
Asselin	Byrne
(Richmond-Wolfe)	Cadieux (Terrebonne)
Badanai	Cameron (High Park)

Cantin	Macdonald (Rosedale)
Cashin	MacEachen
Chatwood	Mackasey
Choquette	McIlraith
Chrétien	McNulty
Clermont	McWilliam
Comtois	Marchand
Côté (Nicolet-Yamaska)	Matte
Crossman	Mongrain
Davis	Neveu
Deachman	Nicholson
Drury	Olson
Émard	Otto
Éthier	Patterson
Foy	Pearson
Gauthier	Pelletier
Gendron	Pennell
Godin	Pilon
Goyer	Prud'homme
Greene	Reid
Guay	Richard
Habel	Rideout (Mrs.)
Harley	Robichaud
Hellyer	Rochon
Honey	Roxburgh
Hopkins	Ryan
Hymmen	Sharp
Isabelle	Simard
Johnston	Stanbury
Lachance	Stewart
Laflamme	Tardif
Laing	Thomas (Maisonneuve-Rosemont)
Lamontagne	Tolmie
Langlois (Chicoutimi)	Tremblay
Langlois (Mégantic)	Trudeau
Laprise	Tucker
Latulippe	Wahn
Laverdière	Walker
LeBlanc (Rimouski)	Watson (Châteauguay-Huntingdon-Laprairie)
Leboe	Whelan
Legault	Winters
Lessard	Yanakis—97.
Lind	
Loiselle	

• (5:00 p.m.)

Mr. Speaker: I declare the amendment lost.

Mr. Macquarrie: Mr. Speaker, I was paired. Had I voted I would have voted in the affirmative.

Mr. Rynard: I was paired with the hon. member for Renfrew. Had I voted I would have voted for the amendment.

Mr. Smith: Mr. Speaker, I was paired with the Minister of Forestry and Rural Development (Mr. Sauvé). Had I voted I would have voted in favour of the amendment.

Miss LaMarsh: I was paired, Mr. Speaker.

Mr. Haidasz: I was paired with the hon. member for Meadow Lake (Mr. Cadieu).

Mr. Macaluso: I was paired, Mr. Speaker.

Mr. Munro: I was paired with the hon. member for Regina City (Mr. More). Had I voted I would have voted against the amendment.

Mr. Skoreyko: I was paired with the hon. member for Victoria (B.C.) (Mr. Groos). Had I voted I would have voted for the amendment.

Mr. Fairweather: I was paired.

Mr. Speaker: Is the house ready for the question on the main motion?

Mr. Andrew Brewin (Greenwood): Mr. Speaker, in the committee stage and at second reading various spokesmen from our party, myself included, stated objections to clause 21 and proposed amendments which were not accepted. Because important and fundamental principles are at stake I propose to move an amendment dealing with clause 21. I shall not repeat in detail the arguments made in committee.

The bill as a whole, especially with the amendments moved in committee, in my view is excellent. The minister and his department deserve considerable credit for it. The bill provides for an appeal from orders for deportation to an independent tribunal.

Unfortunately clause 21 creates a grave and gaping hole in this admirable principle. In effect the clause says that in security cases the matter may be withdrawn from the jurisdiction of the appeal tribunal and the appeal in those cases is rendered useless or inoperative. It is precisely in these types of so-called security cases that the right to a fair hearing and a real appeal is important. It is because of alleged or real security reports that many immigrants have been rejected without any possibility of proving that objections to them are based on mistakes of identity or on misapprehensions of the significance of political activities contained in police reports.

It is a fundamental human right to which the house has solemnly subscribed in the Bill of Rights that when a person's rights or future are being dealt with he shall be given a fair opportunity to meet the case against him. Such a person must know the outline at least of the case against him and the objections he has to meet. There are reasons, of course, why security reports from confidential sources cannot be made public or even disclosed in full at the hearing. But that is no reason for denying a fair hearing and denying a meaningful right of appeal in security cases. It is perfectly possible to maintain the right of appeal and yet to pay attention to the need of guarding security sources.

I proposed an amendment in committee which would have achieved the end I have just outlined. The amendment would have

given authority in security cases for the board to hold its appeal hearings in camera and to exclude the accused and his counsel when evidence of a security nature was being given. It would have required the Department of Manpower and Immigration, on the order only of the appeal board, to give particulars of the objections to admission.

• (5:10 p.m.)

There is no point in beating our breasts about human rights in theory and then denying them in practice. Reasons of security of state are always used in an effort to excuse breaches or denials of rights acknowledged in theory. Admittedly there may be occasions when genuine reasons of state may require the suspension of normal rights, but this is not such an occasion. Security in wartime even in regard to internment did not require the total denial to those interned of any reason for their internment. In this instance security does not require that the beneficial right of appeal conferred by this bill should effectively be denied.

Fundamental rights are not for the majority alone. They are not for the popular. They are not for the accepted. Fundamental rights are for minorities, for unpopular minorities. They are for harried, would-be immigrants who are seeking admission to this country. It is important in the interests of Canada, not just of the immigrants, that our immigration procedures should be fair and in accordance with the best of our traditions.

This bill is a significant advance in the fair treatment of immigrants and sponsors of would-be immigrants. It is too bad that in the interest of security there should be a blot place upon what is otherwise good legislation in the very field where the rights conferred by this measure are most urgently needed. I have heard the explanation given by the minister in committee. He argued that there is no half way house, that there must either be a full hearing with evidence or there can be no appeal at all of any value. I said then that I believed him to be wrong and I repeat that he is totally wrong. Practice has shown that there is a half way house where the interests of security can be balanced against a desire to be fair to those concerned. For this reason I move, seconded by the hon. member for Winnipeg North Centre (Mr. Knowles):

That Bill No. C-220 be not now read the third time but that it be referred back to the committee of the whole house for the purpose of reconsidering clause 21 thereof.

[Mr. Brewin.]

Hon. R. A. Bell (Carleton): Mr. Speaker, we made it quite clear in committee of the whole that we were not satisfied with clause 21 as it now stands. The view which we take, and it was supported by an amendment moved a week ago today—

Mr. Olson: On a point of order, Mr. Speaker, I should like to question whether the amendment moved by the hon. member for Greenwood is in order. We have already had a decision of the house not to refer this bill back to committee. That amendment was that the bill be not read the third time but that it be referred back to the committee of the whole house for reconsideration of clause 17.

May I refer Your Honour to citation 415 of Beauchesne where it is stated:

(2) Bills may be recommitted a number of times with or without limitation; in the latter case the whole bill is opened to reconsideration—

I suggest that if the bill had been referred back to the committee for the purpose of reconsidering clause 17 and we had then progressed to third reading it would be in order to move another motion to recommit the bill in line with this citation. It could be recommitted then for the reconsideration of another clause. But since it is stated that the whole bill is opened for consideration and since the house has in fact rejected an amendment for recommittal only a few minutes ago, I suggest that the present amendment is not in order inasmuch as the house has already reached a decision on an amendment which is essentially the same as the one before us except that the one before us refers to clause 21 and the former amendment referred to clause 17.

Mr. Knowles: Mr. Speaker, may I suggest that the answer to the argument put forward by the hon. member for Medicine Hat is contained in the very citation from which he read. Citation 415 (2) refers to recommittal without limitation. Neither the amendment moved by the hon. member for York South nor the amendment now moved by the hon. member for Greenwood is a motion without limitation. In each case it is a motion for referral back for the purpose of considering one specific clause.

There are many examples of bills recommitted over and over again. My recollection tells me that in 1956 this happened repeatedly. I have had occasion to look up this point and see what happened during some of the early years of the history of the House of

Commons. In the latter decades of the last century there were bills which on third reading were referred back to committee as many as 50 or 60 times. I am not suggesting we shall be doing that today but I am saying it is completely in order to do so. The house did not reject the idea of recommitting the bill. It rejected the amendment to recommit it for the reconsideration of clause 17. This amendment is an entirely different proposition and I maintain it is in order.

Mr. Lambert: Mr. Speaker, it seems to me that the hon. member for Medicine Hat failed to read the whole of citation 415, as was pointed out by the hon. member for Winnipeg North Centre. In the second paragraph it is stated that a bill may be recommitted a number of times with or without limitation and that in the latter case the whole bill is opened to reconsideration. But in the former case it says that the committee can only consider the clause or amendments or instructions referred to them. If the first amendment had carried the committee of the whole could have considered clause 17 and the instructions given by the house with Mr. Speaker in the chair.

If one pursued the argument advanced by the hon. member for Medicine Hat to its logical conclusion one could secure a recommittal on a very minor point where both sides of the house were really in agreement, but in order to bar consideration completely one could seek referral back on a point which would have no hope of carrying and then all the more important and contentious points would be effectively barred. The amendment may be unacceptable to Your Honour but certainly not, I would suggest, on the ground advanced by the hon. member for Medicine Hat.

• (5:20 p.m.)

Mr. Speaker: I thank hon. members for their expression of views in connection with the point of order raised by the hon. member for Medicine Hat. I am sure the hon. member has had an opportunity to reconsider the matter and with his usual sound judgment on procedural matters has convinced himself he was wrong in the first instance. I am certain that the argument advanced by the hon. member for Winnipeg North Centre and the hon. member for Edmonton West is the correct one and that the question now proposed to the house is entirely different from the one proposed in connection with the amendment which was defeated earlier this afternoon. Therefore I cannot accept the point of order raised by the hon. member for Medicine Hat.

Mr. Bell (Carleton): Mr. Speaker, when the point of order was raised I was indicating that we in this party were very far from satisfied with the existing provisions of clause 21. Our dissatisfaction was clearly indicated a week ago today when we proposed an amendment to it. The amendment we proposed was directly in line with the recommendations made by Mr. Joseph Sedgwick, Q.C., to the effect that the validity of security or criminal intelligence reports should be determined not by the certificate of the Minister of Manpower and Immigration (Mr. Marchand) and the Solicitor General (Mr. Pennell) but by the board itself, that they should be laid before the board but that before the board they should, however, be kept secret, although the appellant should be made aware of the fact that it is a security or criminal intelligence matter which is being raised against him.

In those circumstances, at least knowing the nature of the case he has to meet, the appellant would be able to bring evidence that might establish to the board that the evidence presented by the minister was not sufficient to constitute the appellant a security risk or to demonstrate that he had not the criminal record which was indicated. That amendment, which was in line with Mr. Joseph Sedgwick's proposals, was voted down by the committee of the whole.

Subsequently the hon. member for Greenwood (Mr. Brewin) presented an amendment which in my view was totally unacceptable. With the objective he had in mind of democratization of the procedures in relation to this matter I have the most complete sympathy, but the procedures and techniques the hon. gentleman proposed in committee of the whole were ones which would not achieve the purposes he had in mind. I can only assume, unless the hon. gentleman is prepared to say something different, that that is what he intends if this amendment is carried and the bill is recommitted to committee of the whole.

In committee of the whole I would not be able to support an amendment in any way similar to that which the hon. gentleman proposed in committee of the whole previously. On that occasion he left completely alone the question of criminal intelligence reports. Yet this is a field which in today's context may be even more important than security itself. The hon. gentleman would have left the whole field of criminal intelligence reports without any provision in the bill and without any protection of any kind whatsoever for

such reports. In those circumstances it would be impossible to vote for any such amendment.

In committee of the whole the hon. gentleman used terms of art like "particulars." He used a word which undoubtedly would be interpreted by the Supreme Court of Canada in accordance with the jurisprudence under the rules of practice and the Judicature Act and which, if so interpreted, could not conceivably keep secret the sources of information. Such an amendment as was moved in committee of the whole is one that we in this party could not support under any circumstances.

If the purpose is simply to recommit the bill in order to consider such an amendment, then I would look on it as an exercise in total futility in which I do not think the house should engage. Unless the hon. gentleman is prepared to indicate that he has in mind something totally different from the amendment he presented previously in committee, I for one intend to vote against this amendment.

Hon. Marcel Lambert (Edmonton West): Mr. Speaker, in the terms that the hon. member has put forward his amendment and, shall we say, in the terms of the context of the debate that took place at the committee stage and the hon. member's references to the matter, I too, like the hon. member for Carleton (Mr. Bell), find his proposal far too sweeping in its ambit and I would be obliged to place some limitation on it. However, having said that I wish to add that the present practices of the department of immigration, which I am sure would carry up to the appeal board, in failing to state reasons for barring immigrants, simply saying that a proposed immigrant fails to meet the requirements or the standards of the department, are not good enough.

With modern medical knowledge it can be stated that a proposed immigrant unfortunately suffers from a tubercular infection. He may well have been a mental patient. These can be facts, but on many occasions it has been said to me, "Well, we don't want to offend the susceptibilities or feelings of the sponsoring relatives." This is a lot of nonsense, if I may say so with respect to the minister and his officials. The sponsoring relatives know the situation.

With new interpretation of the regulations and with the co-operation of provincial health authorities, diseases which previously have barred proposed immigrants can now be treated, or some arrangements can be made to post a bond of a minor nature whereby, provided an immigrant meets certain residence requirements, he can be treated like any other resident in our country. Therefore it is not proper that such reasons should not be disclosed.

In many cases the department has said, "This is a security case and let us leave it at that." I have had experience of the department lifting a corner of the carpet or raising the curtain a little bit. Frankly, I found that the security reasons given were most specious, and following discussion with the minister and his officials in a number of instances they have agreed that the person involved should not be barred.

An hon. Member: Or deported.

Mr. Lambert: I do not recall running into any deportation cases of this particular kind. In this instance I am referring more particularly to people from the Orient. I fully recognize the problems which the minister faces in this regard but I cannot go so far as the hon. member for Greenwood (Mr. Brewin) with regard to asking for particulars and disclosure of information.

I am sure the minister will recognize that tremendous frustration is caused to members of parliament and bona fide sponsors in this country in the case of an intending immigrant from Italy, for example, when he is told that he cannot meet the requirements and that it is a security case. It is suggested to the relatives that it looks like a security case. They ask why, and having scouted around it turns out that some jealous person went to the police and said the immigrant in question was suspect. I had a case recently of a person who in 1945 or 1946, just after the war when many Italians were starving, belonged to a certain organization, and in 1964 that fact caused a complete ban on his application to come to Canada even though his sons and daughters and other relatives, with the exception of his father and mother, were already in Canada. I must say that the minister and his officials had the good sense to review the situation, but I find it exceedingly difficult to accept this wide open amendment to the effect that the minister and his officials must disclose all the particulars. There must be some protection for the state for the greater good of the nation. On the other hand, I do hope to see some relaxation in respect of illness and residential requirements, and some relaxation in respect of the often criticized provision in relation to moral turpitude. I believe this involves a great deal of nonsense.

• (5:30 p.m.)

In respect of security I go more than half way with the minister, and for the reasons I have outlined I cannot support the wide open amendment put forward by the hon. member. Having said that I hope the minister and his officials can find some way to make these restrictions humanely intelligent.

Mr. Raymond Langlois (Mégantic): Mr. Speaker, I have not participated to any extent in this debate but I should like to comment in respect of clause 21. Let me commend the minister for supporting the clause as it stands. It is very difficult to reach perfection although we attempt to do so. This clause makes an attempt in that direction and is accompanied by some success though it may not attain it. We must content ourselves with the best that can be done under given circumstances.

Clause 21 involves very delicate, tricky and dangerous circumstances. We should not allow criminals or individuals who have shown a tendency in this direction by their past records to come into the country under the guise of humanitarianism. We must always consider causes and effects and in respect of this amendment we must pay particular attention to its possible effects.

The hon. member for Edmonton West (Mr. Lambert) said he could not support this open amendment and its implications, and I am in agreement with him. I could agree with the clause if it related only to undesirable individuals who were security risks in a political or military sense. On the other hand, I do not think all the evidence or information should be made available to an appellant or his counsel. Once that information is made available to these people it becomes almost public knowledge. Anyone who is a member of the underworld could easily obtain this information and all the damage that could be done by making it public would then be done.

Very often because of humanity we are inclined to give more rights and opportunities to individuals than they deserve, but I think in respect of the principle involved in this bill we should be extremely careful. We must protect ourselves from an indiscriminate policy of admitting individuals who may be security risks in a political or military sense.

The Minister of Manpower and Immigration (Mr. Marchand) and the Solicitor General (Mr. Pennell) are responsible individuals and until the entire cabinet becomes a security risk I will rely on these gentlemen to do their duty under the provisions of the bill as it now stands.

Mr. David Lewis (York South): Mr. Speaker, I want to say only two or three words about this amendment. Let me point out to the hon. member for Mégantic (Mr. Langlois) that neither the amendment proposed by the hon. member for Carleton (Mr. Bell) in committee nor the amendment proposed by the hon. member for Greenwood (Mr. Brewin) suggested that just anybody be given the precise evidence or its source.

Mr. Langlois (Mégantic): You have asked for all the information.

Mr. Lewis: No. The amendment of the hon. member for Carleton suggested that the minister should file a report with the appeal board but that the information should remain secret and that all the individual concerned would be informed of was the fact that a report had been made. Neither the individual nor his counsel, if he had one, would be given the information. It would be accessible only to the members of the appeal board.

The amendment moved by the hon. member for Greenwood specifically provided that the evidence against an individual would be heard by the board in camera in the absence of the concerned person and his counsel. Neither of them would know what the evidence was. The particulars to be made available under the terms of the amendment moved by the hon. member for Greenwood are those particulars demanded by the appeal board, not by the person concerned or his lawyer. You would therefore have the safeguard that the board, in consultation with the minister, would ask for those particulars which could be given in the interests of the security of Canada and not for particulars which would be against the interests of our country's security.

• (5:40 p.m.)

Therefore may I say to the hon. member with respect—and I appreciate fully his motives and intentions—that he could not have read the amendment that was actually moved when he spoke as he did. I simply cannot understand the position taken by the hon. members for Carleton (Mr. Bell) and Edmonton West (Mr. Lambert) that they will vote against the amendment now before the house because they disagree with the particular amendment which was moved by the hon. member for Greenwood (Mr. Brewin) in committee.

Division

I am the last one to lecture them about what is obvious in this amendment. The amendment now before the house is not that the bill go back to the committee of the whole for the purpose of incorporating the amendment of the hon. member for Greenwood but that it go back to the committee of the whole for the purpose of reconsidering clause 21, which would open the door for the amendment moved by the hon. member for Carleton to be moved again.

Mr. Bell (Carleton): Of course it would not. It having been already disposed of in committee of the whole I could not move the same amendment again.

Mr. Lewis: With great respect and without the knowledge of the rules that I am sure my hon. friend has, my logic tells me that he is obviously wrong. If the house sends the bill back to the committee of the whole then it will be asking the committee of the whole to reconsider the clause. In such a case any amendment could be moved, that of the hon. member for Carleton which we supported in committee and would support again, that of the hon. member for Greenwood, or any other suggestion that might emerge and which might be wiser than either of those that were put before the committee of the whole. Neither the hon. member for Greenwood nor any one of us is wedded to the particular proposal which was made. What we are anxious to see is an amendment to clause 21 which would open the door to the kind of possibility about which the hon. member for Edmonton West (Mr. Lambert) spoke and which was repeated several times by the hon. member for Carleton during second reading and in committee of the whole.

I do not think the hon. member for Carleton or any other hon. member can get away with voting against this amendment on the ground that it is a particular kind of amendment to be considered by the committee of the whole, because it is just not so. If the hon. members for Carleton and Edmonton West, or any other hon. members, are dissatisfied with clause 21 as it stands, as they claim they are, then they have no logical alternative other than to vote for the amendment now before the house and leave it to the committee of the whole to decide what to do.

The house divided on the amendment (Mr. Brewin) which was negatived on the following division:

[Mr. Lewis.]

• (5:50 p.m.)

YEAS

Messrs:

Barnett	Lewis
Brewin	Martin (Timmins)
Cameron (Nanaimo-Cowichan-The Islands)	Mather
Douglas	Orlikow
Fawcett	Peters
Gilbert	Prittie
Howard	Saltsman
Knowles	Schreyer
	Winch—17.

NAYS

Messrs:

Aiken	Honey
Alkenbrack	Hopkins
Allard	Horner (Acadia)
Andras	Hymmen
Asselin (Charlevoix)	Isabelle
Asselin (Richmond-Wolfe)	Johnston
Badanai	Jorgenson
Ballard	Korchinski
Batten	Lachance
Béchard	Laflamme
Bell (Carleton)	Laing
Berger	Lambert
Brand	Lamontagne
Byrne	Langlois (Chicoutimi)
Cadieux (Terrebonne)	Langlois (Mégantic)
Cameron (High Park)	Laprise
Cantelon	Latulippe
Cantin	Laverdière
Cashin	LeBlanc (Rimouski)
Chatterton	Legault
Chatwood	Lessard
Choquette	Lind
Chrétien	Loiselle
Churchill	Macdonald (Rosedale)
Clancy	MacEachen
Clermont	MacEwan
Coates	MacInnis (Cape Breton South)
Comtois	Mackasey
Côté (Nicolet-Yamaska)	MacLean (Queens)
Crossman	MacRae
Crouse	McCleave
Davis	McCutcheon
Deachman	McIlraith
Dinsdale	McIntosh
Drury	McKinley
Émard	McNulty
Éthier	McQuaid
Fane	McWilliam
Forbes	Madill
Forrestall	Marchand
Foy	Matte
Fulton	Mongrain
Gauthier	Moore
Gendron	Muir (Lisgar)
Godin	Nasserden
Goyer	Nesbitt
Greene	Neveu
Grégoire	Nicholson
Guay	Noble
Gundlock	Nugent
Habel	Olson
Hales	Ormiston
Harkness	Otto
Harley	Pascoe
Hees	Pearson
Hellyer	Pilon

Prud'homme	Stanbury
Pugh	Starr
Rapp	Stewart
Régimbal	Tardif
Reid	Thomas (Maisonneuve-Rosemont)
Ricard	Thomas (Middlesex West)
Richard	Tolmie
Rideout (Mrs.)	Tremblay
Robichaud	Trudeau
Rock	Tucker
Roxburgh	Valade
Ryan	Wahn
Scott (Victoria (Ont.))	Walker
Sharp	Watson (Châteauguay-Huntingdon-Laprairie)
Simard	Whelan
Simpson	Winkler
Skoreyko	Winters
Smallwood	Yanakis—150.
Smith	
Southam	

Mr. Speaker: I declare the amendment lost.

Mr. Martin (Essex East): I was paired. Had I voted I would have voted against the amendment.

Mr. Pennell: I was paired, Mr. Speaker. Had I voted I would have voted against the amendment.

Mr. Haidasz: I was paired, Mr. Speaker.

Mr. Macaluso: I, too, was paired.

Mr. Munro: I was paired, Mr. Speaker.

Mr. Rynard: I was paired with the hon. member for Renfrew. Had I voted I would have voted against the amendment.

Mr. Speaker: The question is on the main motion.

Motion agreed to and bill read the third time and passed.

Royal Assent

BUSINESS OF THE HOUSE

Mr. McIlraith: Tomorrow, Mr. Speaker, we wish to consider item 133 and then items 119, 135 and 134.

• (6:10 p.m.)

Mr. Peters: Six o'clock. Mr. Speaker, there is no quorum.

• (6:20 p.m.)

THE ROYAL ASSENT

A message was delivered by Major C. R. Lamoureux, Gentleman Usher of the Black Rod, as follows:

Mr. Speaker, the Honourable the Deputy Governor General desires the immediate attendance of this honourable house in the chamber of the honourable the Senate.

Accordingly, Mr. Speaker with the house went up to the Senate chamber.

And being returned:

Mr. Speaker informed the house that the Deputy Governor General had been pleased to give, in Her Majesty's name, the royal assent to the following bills:

An Act to implement agreements for the avoidance of double taxation with respect to income tax between Canada and Trinidad and Tobago, Canada and Ireland, Canada and Norway and Canada and the United Kingdom, and to implement a supplementary income tax convention between Canada and the United States of America.

An Act to amend the Financial Administration Act.

An Act to amend the Judges Act.

An Act to provide relief in certain cases against loss or hardship suffered as a result of interruptions of normal postal services.

An Act for granting to Her Majesty certain sums of money for the public service for the financial year ending the 31st March, 1967.

At 6.38 p.m. the house adjourned, without question put, pursuant to standing order.

HOUSE OF COMMONS

Thursday, March 2, 1967

The house met at 2.30 p.m.

PUBLIC ACCOUNTS

Fourteenth report of standing committee on public accounts—Mr. Hales.

[*Note: Text of the foregoing report appears in today's Votes and Proceedings.*]

• (2:40 p.m.)

CANADA CORPORATIONS ACT

AMENDMENTS TO CLARIFY PREVIOUS CHANGES IN ACT

Hon. L. T. Pennell (for the Registrar General) moved for leave to introduce Bill No. C-275, to amend the Canada Corporations Act.

Some hon. Members: Explain.

Mr. Pennell: I ask for the indulgence of the house. I understand that the Acting Registrar General will be with us in just a moment.

Mr. Speaker: Is it the desire of the house that this motion be allowed to stand for a moment and does the house agree to revert to this item of business in due course?

Some hon. Members: Agreed.

[*Later:*]

Mr. Pennell: Mr. Speaker, may I ask leave of the house to revert to introduction of bills so the Acting Registrar General may give the explanation requested by hon. members?

Mr. Speaker: Does the house agree to revert to introduction of bills?

Some hon. Members: Agreed.

Hon. John N. Turner (Acting Registrar General) moved for leave to introduce Bill No. C-275, to amend the Canada Corporations Act.

He said: Mr. Speaker, I thank the house for its courtesy in reverting to this item, and I apologize for not being here when it was called. This bill is merely a series of technical amendments to the Canada Corporations Act. It does not involve any major policy changes, and is only of a housekeeping nature.

Motion agreed and bill read the first time.

PARLIAMENTARY SECRETARIES ACT

AMENDMENT TO INCREASE NUMBER WHO MAY BE APPOINTED

Right Hon. L. B. Pearson (Prime Minister) moved that the house go into committee at the next sitting to consider the following resolution, which has been recommended to the house by His Excellency:

That it is expedient to introduce a measure to amend the Parliamentary Secretaries Act to provide for an increase in the number of parliamentary secretaries who may be appointed under the act.

Motion agreed to.

INDUSTRY

SPEECH BY MINISTER RESPECTING WAGE PARITY WITH U.S.

On the orders of the day:

Hon. Michael Starr (Ontario): Mr. Speaker, I wish to address a question to the Secretary of State for External Affairs, better known as the hon. member for Essex East (Mr. Martin). Did he receive a telegram yesterday from Mr. Burt regarding the statement made by his colleague the Minister of Industry, and can he tell us whether he replied to this telegram? If so, what was the gist of his reply?

Hon. Paul Martin (Secretary of State for External Affairs): My hon. friend, of course, must know that I receive many communications from the United Automobile Workers. We work together a great deal.

Some hon. Members: Oh, oh.

Mr. Martin (Essex East): With regard to the particular question asked, I did receive a telegram concerning a report I had seen in the newspapers of a speech by my colleague the Minister of Industry. I replied that my views have been well known and continue to be well known on this subject, namely, that the collective bargaining process is one that must not, in normal circumstances, be interfered with by government.

I have since had an opportunity of looking at the speech of my colleague the Minister of Industry, and I find no reference whatever in that speech to the automobile industry. The same applies to what my hon. friend sought to attribute to the Prime Minister yesterday.

The Prime Minister clearly denied the implication in the last observation on this point made yesterday by the hon. member for Ontario, who was at one time minister of labour and who I think should show greater sympathy for the labour unions of this country.

Mr. Starr: May I ask a supplementary question of the Prime Minister in view of his statement yesterday in connection with the statement by the Minister of Industry that the government's feeling was that it would be inadvisable to try to bring about general wage parity with the United States at this time, and the reply of the hon. member for Essex East to Mr. George Burt, which reads in part:

I must say unreservedly that I am not in accord with what my colleague is reported to have said.

And in view of the telegram sent by the hon. member for Essex South (Mr. Whelan) which reads:

Mr. Drury's statement is his own as far as I am concerned. I disagree 100 per cent with him—

Can the Prime Minister say whether the only member who is supporting the policy of the government is the hon. member for Essex West (Mr. Gray), and whether there is a great disparity and disagreement in the cabinet on this matter?

Right Hon. L. B. Pearson (Prime Minister): I am glad the hon. gentleman's question has given me an opportunity to point out to him that the policy of the government on this matter of the relation of wages to income and productivity is that which was laid down on page 11 in the speech of my hon. friend the Minister of Industry, at which time he was quoting from the third annual report of the Economic Council of Canada on wages, income and productivity. The quotation is:

Given the fundamental nature of the factors accounting for the income gap, it should be clear that a great deal remains to be done, on a variety of fronts, before the Canadian economy as a whole can be expected to enjoy effective parity of average per capita income with the United States.

This report, Mr. Speaker, was signed by, among others Claude Jodoin, W. Ladyman, William Mahoney, Marcel Pépin and A. R. Gibbons.

Mr. Starr: May I put a supplementary question to the Secretary of State for External Affairs. Will he stand by the statement he made in his telegram to Mr. Burt in which he said he must unreservedly state that he is not in accord with what his colleague is reported to have said?

Mr. Speaker: Order. I think we have had a debate which perhaps has gone beyond the usual confines of question and answer at this time. I think we might move on to another subject.

Mr. Starr: Then may I put another question.

Mr. Speaker: Order, please. I beseech the hon. member's co-operation; perhaps I can return to him later if he wishes to ask further questions.

FINANCE

MERCANTILE BANK—POSSIBLE REDUCTION IN U.S. OWNERSHIP OF SHARES

On the orders of the day:

Mr. T. C. Douglas (Burnaby-Coquitlam): Mr. Speaker, I should like to direct a question to the Prime Minister. May I ask whether the government has decided to introduce an amendment to the Bank Act to reduce from 25 per cent to 10 per cent the number of shares which Citibank may own in the Mercantile bank?

Right Hon. L. B. Pearson (Prime Minister): Mr. Speaker, the hon. gentleman should show a little patience. This bill will be reintroduced very shortly, I hope, at which time his curiosity will be satisfied, though perhaps not in a way which will suit him.

Mr. Douglas: A supplementary question. In view of the reported division in the cabinet with respect to this matter—

Some hon. Members: Oh, oh.

Mr. Douglas: —and the controversy which is alleged to be going on between the Minister of Finance and the senior Minister without Portfolio, the hon. member for Davenport, I want to ask the Prime Minister whether the senior Minister without Portfolio has been shipped to Jamaica to keep him warm or to keep him quiet.

Mr. Speaker: Order, please.

Mr. Pearson: Mr. Speaker, the problem of division in the federal cabinet—

Mr. Speaker: Order, please.

Mr. Pearson: —is not one which need face my hon. friend.

Mr. Speaker: Order, please.

Right Hon. J. G. Diefenbaker (Leader of the Opposition): Mr. Speaker, I have a supplementary question in connection with this Mercantile bank business and the apparent precipitous retreat from the stand taken by the Prime Minister a few weeks ago, when he said there was not going to be a retreat but the government would stand firm. When did the Prime Minister and the cabinet take the decision to turn a complete somersault in the matter, giving the Mercantile bank five years in which to reduce its share ownership?

Mr. Pearson: Mr. Speaker, my right hon. friend is, of course, an expert on standing firm. He is also an expert on cabinet divisions.

Some hon. Members: Hear, hear.

Mr. Pearson: We on this side, of course, are experts on unification.

Mr. Starr: At what price?

Mr. Pearson: I assure the right hon. gentleman that there is no division on this matter and that we will be standing firm, as my right hon. friend will find out if he is here when the bill is introduced.

Mr. Diefenbaker: I do not know how many years that will be, Mr. Speaker.

Some hon. Members: Hear, hear.

Mr. Diefenbaker: However, I would remind the Prime Minister never to take any advice from the Secretary of State for External Affairs, unless, of course, he intends to be entirely at sea.

I ask the Prime Minister this. Speaking of divisions and the patching over of divisions by wallpaper, and breaks that can not be covered up, is it a fact that there is this division? Why is the Minister without Portfolio abroad? Is it for his health or that he may cool off?

Mr. Pearson: Mr. Speaker, my right hon. friend was down south a little while ago, fishing.

Some hon. Members: Oh, oh.

Mr. Pearson: I understand he had more success down there than he has had since he came back.

Some hon. Members: Oh, oh.

Mr. Speaker: Order, please.

Mr. Diefenbaker: I have been more successful fishing here than down there.

[*Translation*]

AIRPORTS

QUEBEC—REQUEST FOR ADDITIONAL FUNDS FOR DEVELOPMENT

On the orders of the day:

Mr. Gérard Laprise (Chapleau): Mr. Speaker, I wanted to put a question to the Minister of Transport but, in his absence, I shall put it to his parliamentary secretary.

Could the hon. member tell the house whether the department intends to ask the house for an increased appropriation in order to build local airports in 1967-68?

[*English*]

Right Hon. L. B. Pearson (Prime Minister): I shall be glad to look into that, Mr. Speaker.

TRADE

MARKETING OF FROZEN GROUNDFISH FROM ATLANTIC PROVINCES

On the orders of the day:

Hon. George Hees (Northumberland): Mr. Speaker, I wish to direct a question to the Minister of Trade and Commerce.

Some hon. Members: Hear, hear.

Mr. Hees: Is the minister aware of the problem existing at present with respect to the marketing of frozen groundfish from the Atlantic provinces?

Some hon. Members: Oh, oh.

Mr. Hees: Can the minister advise the house what steps are being taken to overcome this very serious problem.

Right Hon. L. B. Pearson (Prime Minister): Mr. Speaker, it is refreshing to have a serious question addressed to the Chair.

Some hon. Members: Oh, oh.

Mr. Pearson: I can tell my hon. friend—and I hope he will not misunderstand me—that if he keeps on in this way one day he may be able to enjoy free colour television.

Some hon. Members: Oh, oh.

Mr. Speaker: Order, please. The Chair recognizes the hon. member for Kent (N.B.).

Mr. Hees: On a point of order, Mr. Speaker, though I was pleased to receive the Prime Minister's most encouraging answer I had addressed my question to the Minister of Trade and Commerce. I think he would like to answer.

Mr. Speaker: I would rather he did not.

Some hon. Members: Oh, oh.

Inquiries of the Ministry

UNEMPLOYMENT INSURANCE

KENT COUNTY, N.B.—SUSPENSION OF PAYMENTS TO WOODS WORKERS

On the orders of the day:

Mr. Guy Crossman (Kent (N.B.)): Mr. Speaker, is the Minister of Labour now in a position to answer my question of Tuesday, February 28, concerning the urgent matter of unemployment insurance for the woodsmen in Kent county, New Brunswick?

Hon. J. R. Nicholson (Minister of Labour): I shall be glad to do so, Mr. Speaker, based on the preliminary report that I have received. Actually, in accordance with the normal procedures this matter has come before the Unemployment Insurance Commission. With respect to the 200-odd employees mentioned the other day, some qualified for benefits, some were disqualified and some have been reinstated. Others, not reinstated, have appealed to the board of referees. This matter is being dealt with in the normal way. I hope that when it has been disposed of my hon. friend's constituents will have nothing to complain about.

HIGHWAY SAFETY

CONSULTATION WITH PROVINCES RESPECTING FEDERAL SUPERVISION OF AUTOMOBILE CONSTRUCTION

On the orders of the day:

Mr. Heward Grafftey (Brome-Missisquoi): Mr. Speaker—

Some hon. Members: Hear, hear.

Mr. Grafftey: I am afraid there is serious doubt whether Canada is ready for me yet.

Some hon. Members: Oh, oh.

Mr. Grafftey: In view of the startling revolution—

Some hon. Members: Oh, oh.

Mr. Grafftey: In view of the startling revelations yesterday—

Mr. Speaker: Order, please.

Mr. Grafftey: In view of the startling revelations yesterday by auto union workers relating to safety inspection cutbacks and the production of unsafe cars, and in view of the deplorable rise in highway deaths and injuries reported for 1966 as compared with 1965, could the Minister of Industry report progress in his consultations with the provinces with regard to bringing the building of motor vehicles within the scope of federal law?

[Mr. Speaker.]

Hon. C. M. Drury (Minister of Industry): Our discussions with the provinces are continuing toward a useful end. I do not wish to try to deal with them in detail at this time. I may say I do not share the hon. gentleman's doubt as to Canada's readiness for him.

BUSINESS OF THE HOUSE

INQUIRY AS TO ADDITIONAL LEGISLATION THIS SESSION

On the orders of the day:

Mr. Eric A. Winkler (Grey-Bruce): Now that all the herring fleets have left for open water I should like to ask the Prime Minister whether he can inform the house how many more items of business we can expect to be placed on the order paper in the current session.

Right Hon. L. B. Pearson (Prime Minister): It is hard to say how many there may be in addition to those now on the order paper. I think if we manage to dispose of those on the order paper we shall have done a good job, and then perhaps we can consider prorogation. This includes, of course, the defence bill.

Hon. E. D. Fulton (Kamloops): Is the Prime Minister able to tell us whether the government has decided to introduce legislation setting up a department of consumer affairs? If so, may this legislation be expected during the present session?

Mr. Pearson: This matter is under consideration at the present time, and as soon as a decision has been reached I shall be glad to make an announcement in the house.

FINANCE

REPORTED SPEECH BY FORESTRY MINISTER RESPECTING FOREIGN OWNERSHIP

On the orders of the day:

Right Hon. J. G. Diefenbaker (Leader of the Opposition): I would direct a question to the Minister of Forestry and Rural Development, having before me the speech he delivered yesterday in rebuttal of the economic theories regarding foreign ownership held by the former minister of finance. In view of the fact that the former minister of finance, now Minister without Portfolio, is head of the economic task force or flying squad set up in this connection, do the views expressed yesterday by the hon. gentleman indicate a

prejudging of the task assigned to this task force or, indeed, that this body may now be dispensed with?

Mr. Speaker: Order, please. Such a question is not acceptable at this point. I am sure the Leader of the Opposition knows that in connection with speeches made by cabinet ministers outside the house, questions can only be asked of the Prime Minister to determine whether such speeches represent government policy.

Mr. Diefenbaker: Surely it is not intended by the rules that ministers can make irresponsible statements which have no rhyme or reason as far as cabinet policy is concerned, and not expect to be examined on them in this house. If, however, Your Honour holds that there must be a protective wall for these ministers—

An hon. Member: Shame.

Mr. Diefenbaker: —then I will reword my question and ask the minister whether the economic task force which was to determine the question of Canada's position relative to foreign investment and the like is no longer effective, and whether he was speaking for the government.

Hon. Maurice Sauvé (Minister of Forestry and Rural Development): I mentioned the task force twice in my speech. I said the formation of the task force would be very helpful in enabling the government to determine its policy.

Mr. Diefenbaker: You prejudged it.

Mr. Speaker: Order. I think I should bring to the attention of hon. members citation 171 (z) in Beauchesne's fourth edition, which states that a question must not—

> —refer to speeches made outside the house; but in the case of a cabinet minister, it is permissible to ask Prime Minister whether such speech represents policy of government.

This, of course, is the citation to which I referred. It is part of the rules of the house.

SHIPPING

NOVA SCOTIA—ASSISTANCE FOR SURVIVORS OF MEN LOST AT SEA

On the orders of the day:

Mr. Lloyd R. Crouse (Queens-Lunenburg): Mr. Speaker, I wish to address a question to the Prime Minister. In view of the tragedies that occurred last week off the coast of Nova Scotia when 35 men lost their lives after a series of bitter storms in the Atlantic, will the government give consideration to making a contribution to the survivors of the men lost on the *Polly and Robbie,* the *Iceland II* and the *Cape Bonnie*?

Right Hon. L. B. Pearson (Prime Minister): Mr. Speaker, this is a situation which very much touched the hearts of all of us. It was a terrible tragedy, and we should look into the possibility of anything we can do to make it less terrible for the survivors.

LABOUR CONDITIONS

CAPE BRETON ISLAND—CRASH TRAINING PROGRAM FOR UNEMPLOYED

On the orders of the day:

Mr. Robert Muir (Cape Breton North and Victoria): Mr. Speaker, I wished to direct a question to the Minister of Manpower and Immigration but in his absence may I direct it to the right hon. Prime Minister. In view of the serious, tragic and distressing unemployment situation, finally acknowledged by the minister of manpower in his statement yesterday, regarding unemployed steel workers at Sydney, may I ask the right hon. gentleman would he recommend to the cabinet, at a special meeting which I think should be called immediately for that purpose, that a massive crash training program for the unemployed should be instituted as quickly as possible on Cape Breton Island?

Right Hon. L. B. Pearson (Prime Minister): Mr. Speaker, I shall be glad to discuss this with the Minister of Manpower and Immigration.

HOUSE OF COMMONS

SUGGESTED VISIT TO EXPO '67 BY PROTECTIVE STAFF

On the orders of the day:

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, I wish to do by indirection something the rules would not permit me to do directly, but strictly in order I wish to address a question to the Minister of Trade and Commerce. In view of the fact that there will be at least a half million visitors touring these parliament buildings during this centennial year and that many will be asking questions of the protective staff about Expo '67, would the minister mind whispering in the ear of the appropriate authority that it might be a good idea for members of the protective staff to visit Expo in groups, so they can answer all questions accurately as a result of their personal experience?

Inquiries of the Ministry

Mr. Speaker: The hon. member set out to accomplish an impossible task, but he succeeded.

NATIONAL DEFENCE

SUGGESTED JOINT MEETING OF DEFENCE AND EXTERNAL AFFAIRS COMMITTEES

On the orders of the day:

Mr. W. B. Nesbitt (Oxford): Mr. Speaker, in the absence of the hon. member for Restigouche-Madawaska I would like to direct a question to the Secretary of State for External Affairs as acting chairman of the standing committee on external affairs. Would the minister use his good offices to arrange a joint meeting of the defence and external affairs committee so that a number of matters affecting armed services unification can be more properly and more carefully examined?

Hon. Paul Martin (Secretary of State for External Affairs): I think I dealt effectively with that matter yesterday, Mr. Speaker.

Mr. Nesbitt: In view of that answer I would like to direct a supplementary question to the Prime Minister. In view of the fact that a few moments ago the Prime Minister indicated he was an expert on unification, I wonder if he might use his good offices to try to arrange such a joint meeting.

Right Hon. L. B. Pearson (Prime Minister): I could not possibly be more effective than my hon. friend the minister.

INDUSTRY

CAPE BRETON ISLAND—STATEMENTS RESPECTING ASSISTANCE TO MINERS

On the orders of the day:

Mr. Donald MacInnis (Cape Breton South): Mr. Speaker, I wish to direct a question to the Prime Minister. In view of the remarks made by the Secretary of State for External Affairs in dealing with the auto pact and the problems in the automobile industry, will he advise his ministers that when they make statements outside the house, respecting matters not concerning their own departments, they will be expected to give me the same privilege they have been allowed here in this house with respect to answers.

Hon. Paul Martin (Secretary of State for External Affairs): On a point of privilege—

Mr. MacInnis (Cape Breton South): On a point of order—

Mr. Speaker: Order, please.

[Mr. Herridge.]

Mr. Martin (Essex East): On a point of privilege—

Mr. Starr: Can't you see the Speaker is on his feet?

Mr. Speaker: I believe the Secretary of State for External Affairs rose first on a question of privilege, and I think I should hear him first.

Mr. Martin (Essex East): My point of privilege is this, Mr. Speaker. A member of the government also has obligations to his constituents, and I want my hon. friend to know that I regard the interests of the automobile workers in my constituency as part of my obligations as a member of this house. What I have said in no way conflicts with my obligations as a minister of the crown, notwithstanding the observation understandably and so willingly made by the Leader of the Opposition just now.

Mr. Diefenbaker: Better turn around and correct the Minister of Industry.

Mr. MacInnis (Cape Breton South): I would direct the attention of the Secretary of State for External Affairs to the fact that when similar questions were asked of the Minister of National Health and Welfare dealing with coal miners in Nova Scotia, of whom there are some in his own constituency, answers were absolutely refused by that minister, and there is a definite contradiction between what the Secretary of State for External Affairs says now and what his colleague the Minister of National Health and Welfare did and what this house has ruled in the past. The Secretary of State for External Affairs is not only contradicting his colleague but he is contradicting the Chair.

Mr. Speaker: Order.

Mr. MacInnis (Cape Breton South): I have a question of privilege too. Why is the minister rising on a question directed to the Prime Minister?

Mr. Speaker: Order, please. Will the hon. member resume his seat? The hon. member asked a question. That was not a question of privilege and, having asked his question, the Secretary of State for External Affairs rose on a question of privilege—

Mr. MacInnis (Cape Breton South): On a point of order, what right has he to rise and answer a question I directed to the Prime Minister?

Mr. Speaker: Order. I assume the minister was not rising for that purpose, in view of the fact that he indicated he was rising on a question of privilege.

Mr. Starr: Mr. Speaker, may I put a supplementary—

Mr. Speaker: Order, please. Could I be allowed to recognize the hon. member for Sherbrooke?

Mr. MacInnis (Cape Breton South): On a point of order—

Mr. Starr: I wish to ask a supplementary question—

Mr. Speaker: Order. The hon. member for Cape Breton South is rising on a point of order.

Mr. MacInnis (Cape Breton South): On a point of order, I feel that having directed a question to the Prime Minister I am at least entitled to an answer dealing with this particular question.

Mr. Speaker: According to the rules the hon. member is entitled to ask a question but, as he knows, I have expressed the view previously, which I believe is supported by ample authority, that no member is entitled to an answer. He may be dissatisfied with the answer he receives or he may be dissatisfied with the fact that he receives no answer at all, but it has been the practice for many years that no member can insist on either receiving an answer or on receiving the answer which he would like to receive.

Mr. MacInnis (Cape Breton South): Mr. Speaker, I direct a supplementary question to the Prime Minister. I take it from his silence that he is in agreement with the Minister of National Health and Welfare that they can do nothing other than ignore the miners of Cape Breton island.

Mr. Speaker: Order, please. The hon. member for Sherbrooke.

[*Translation*]

HARBOURS

MONTREAL—STEPS TO DEAL WITH ALLEGED VANDALISM AND THEFT

On the orders of the day:

Mr. Maurice Allard (Sherbrooke): Mr. Speaker, in the absence of the Minister of Transport, my question is addressed to the acting minister, the Member of the Administration.

Inquiries of the Ministry

In view of the thefts and pilfering which have been occurring with regularity in the harbour of Montreal recently, is the Department of Transport or the government taking the appropriate measures to check such depredations and damages to ensure a greater degree of success for Expo and avoid harming the international repute of Canada?

Mr. Speaker: The question of the hon. member should be put on the order paper.

Mr. Allard: At ten o'clock, Mr. Speaker.

[*English*]

UNEMPLOYMENT INSURANCE

REQUEST FOR INFORMATION ON APPLICATION TO FARM LABOUR

On the orders of the day:

Mr. Reynold Rapp (Humboldt-Melfort-Tisdale): Mr. Speaker, I would like to direct a question to the Minister of Labour. I have received some letters from farmers who complain that no information is available as to when or how they can apply for unemployment insurance for their farm labourers. Has the minister sent out circulars or letters giving this information?

Hon. J. R. Nicholson (Minister of Labour): Mr. Speaker, the hon. member shares my concern about this matter, which I have anticipated, and I have suggested to the commission that they should give wider publicity to their activities in this field. I believe they are doing so now.

TRADE

POTATOES—INQUIRY AS TO STEPS TO INCREASE EXPORTS

On the orders of the day:

Mr. Heath Macquarrie (Queens): Mr. Speaker, I wish to direct a question to the Minister of Trade and Commerce of which I have given him notice. Has the minister received any representations from the Prince Edward Island government for special measures to assist in obtaining new or larger markets for the large quantity of potatoes still in storage, and could he advise what helpful steps are being taken to meet the very serious situation facing thousands of eastern Canadian potato growers?

Hon. Robert Winters (Minister of Trade and Commerce): Mr. Speaker, I have received no direct representations from the government of Prince Edward Island, but I am aware of the

situation and we have been trying to alleviate it.

The good results in this crop year have been noted in the departmental promotion programs for seed potato exports, and these exports are 45 per cent above those to the same date in 1966. Table potato exports are currently much higher than for the same period last year. The United States is the largest market for potatoes, but the low duty quota there has been filled and smaller quantities are now moving to the United States over a substantial tariff barrier. In other markets the industry and our trade commissioners have been making a special effort to move Canadian potatoes.

European suppliers also have surpluses and world market prices are low, but despite these problems a record movement of Canadian potatoes into foreign markets is expected.

Mr. Frank Howard (Skeena): Mr. Speaker, I rise on a matter of privilege which affects members of this house. It concerns the recognition which Your Honour extends to representatives of different parties. The hon. member for Nanaimo-Cowichan-The Islands has been attempting to catch Your Honour's eye since the inception of the question period. While only two members of this party have been recognized, innumerable Conservative members have been recognized ad nauseam. I can appreciate, Mr. Speaker, that with all the contenders for a future office there is a desire on their part to be recognized interminably, but I do wish you would glance this way occasionally in order to balance the representation.

[*Later:*]

Hon. Hugh John Flemming (Victoria-Carleton): Mr. Speaker, my question is for the Minister of Agriculture. Has he received any representations from New Brunswick concerning the surplus of potatoes which exists in that province, and if so could he inform the house whether action is being considered to deal with the problem?

Hon. J. J. Greene (Minister of Agriculture): Mr. Speaker, I do not recall any specific representations on that matter, but my colleague the Minister of Trade and Commerce instructs me that he has been advised of it, and I think he gave a rather lengthy answer a few moments ago in respect of the action taken by the Department of Trade and Commerce.

[Mr. Winters.]

Mr. Flemming: I have a supplementary question, Mr. Speaker. May I direct the attention of the minister to the fact that possibly the request from the provincial government of New Brunswick concerning the potato surplus may come to him before it reaches the Minister of Trade and Commerce. If it does, would he give it his prompt attention, if at all possible?

Mr. Greene: I will be glad to do so, Mr. Speaker.

Mr. Winters: Mr. Speaker, lest there be any misunderstanding I think perhaps I should say that the minister of agriculture of the province of New Brunswick has been in touch with me on that problem.

LABOUR CONDITIONS

WINDSOR, ONT.—LAY-OFFS AT WALKER METAL PRODUCTS LTD.

On the orders of the day:

Hon. Michael Starr (Ontario): Mr. Speaker, I should like to direct a question to the Secretary of State for External Affairs in view of the fact that he is so conscious of his obligations. I should like to ask him whether his obligations have directed his attention and the attention of the government to the fact that 180 production line workers will be laid off tomorrow by Walker Metal Products Ltd. in Windsor, a subsidiary of Chrysler Canada Ltd. I should also like to ask him whether his obligations were sufficient to prompt him to ask that some action be taken with a view to looking into this whole situation.

Hon. Paul Martin (Secretary of State for External Affairs): Yes, Mr. Speaker, I was aware of that fact. The Minister of Industry also told me that as a result of the Canada-United States auto pact there has been increased production in Canada, and that more workers are now employed in the automobile industry than at any other time in Canadian history.

Mr. Starr: I have a supplementary question, Mr. Speaker. Then can the minister explain why the lay-offs are now starting in Windsor?

Mr. Diefenbaker: What about the 380,000 unemployed?

FINANCE

MERCANTILE BANK—POSSIBLE INCREASE IN AUTHORIZED CAPITAL

On the orders of the day:

Mr. Colin Cameron (Nanaimo-Cowichan-The Islands): My question is directed to the Minister of Finance, Mr. Speaker. In view of speculation in the press today that the minister may be considering recommending to his colleagues Treasury Board action to increase the authorized capital of the Mercantile bank, can the minister assure us that if such a course of action is taken he will notify the house at once?

Hon. Mitchell Sharp (Minister of Finance): Mr. Speaker, this is a hypothetical question. There has been no application by any bank recently for an increase in capital.

[*Translation*]

HIGHWAYS

QUEBEC—ASSISTANCE IN CONSTRUCTION OF ACCESS ROADS

On the orders of the day:

Mr. Gérard Laprise (Chapleau): Mr. Speaker, I should like to put a question to the hon. Minister of Finance. Could he tell us if he met recently with officials of the Quebec government, with respect to a 1966-67 roads to resources program and could he also inform the house as to whether the Quebec government has requested the assistance of federal government for this roads to resources program?

[*English*]

Hon. Mitchell Sharp (Minister of Finance): Mr. Speaker, this is not within my ministerial responsibility; therefore I do not have any information. Perhaps it should be directed to another of my colleagues.

POWER

BRITISH COLUMBIA—REQUEST FOR HUNDRED MILLION DOLLAR FEDERAL LOAN

On the orders of the day:

Mr. Jack Davis (Parliamentary Secretary to Minister of Energy, Mines and Resources): Mr. Speaker, my question is addressed to the Minister of Finance. Has he replied to the urgent request of the premier of British Columbia for a loan of $100 million and, if so, what is the nature of his reply?

Hon. Mitchell Sharp (Minister of Finance): Mr. Speaker, the answer to the first part of the question is yes. I do not know whether you would permit me to read my reply or wish that I table it.

Mr. Speaker: Certainly I would prefer that the hon. minister did not read the reply. Perhaps there might be agreement that the reply should be placed on the table.

Some hon. Members: Agreed.

Some hon. Members: Read it.

Mr. Douglas: Mr. Speaker, I think there is general consent that the minister be allowed to read the telegram. I think he should do so.

Mr. Speaker: It has been agreed that the telegram should be tabled.

CANADIAN CENTENNIAL

SUBMISSION RESPECTING PROPOSED YOUTH SEMINAR

On the orders of the day:

Hon. W. G. Dinsdale (Brandon-Souris): Mr. Speaker, I have a question of great and growing urgency for the Secretary of State. Could the Secretary of State now inform the house when the ad hoc committee that was charged with the responsibility for making plans for a parliamentary youth seminar will be called together to deal with this important matter?

Hon. Judy V. LaMarsh (Secretary of State): Mr. Speaker, at the request of the young people we have waded through three or four different submissions. I now have a submission which has not yet been dealt with by the centennial people. I think it will be shortly and then I shall have an opportunity to call a meeting. I think the seminar will be on a much smaller scale than that suggested in the proposals previously submitted.

EXTERNAL AFFAIRS

INQUIRY AS TO ROLE OF PROPOSED MOBILE FORCE

On the orders of the day:

Hon. Gordon Churchill (Winnipeg South Centre): Mr. Speaker, I have a question for the Secretary of State for External Affairs. I should like to ask him whether the transformation of Canada's role in foreign affairs is intended to place the Secretary of State for External Affairs in the position of sponsoring a heavily armoured mobile force ready for punitive action anywhere in the world.

Mr. Speaker: Order, please. I do not think the question is urgent.

Inquiries of the Ministry

Mr. Churchill: Mr. Speaker, I am asking for information on a very important matter. If you will permit me to do so, I will phrase the question in a somewhat different way. I am searching for information. May I ask the minister this question. Is the Canadian mobile force, equipped with guns, tanks and close support aircraft for instant punitive action, the minister's proposed substitute for the antiquated method of gunboat diplomacy?

Mr. Speaker: Order, please. Perhaps the second question is no more acceptable than the first. I am sure the hon. member for Winnipeg South Centre realizes that this type of question is much too general, concerns a general statement of policy, and to my mind is not the type of question that should be answered at this time.

Mr. Churchill: On a point of order, there has been a public declaration that there has been a complete change in Canada's foreign policy. I am seriously searching for information from the only person who can supply it, the Secretary of State for External Affairs.

Hon. Paul Martin (Secretary of State for External Affairs): Mr. Speaker, I should like to help the hon. member. I suggest that perhaps he would be able to better appreciate the procedures of the house if he would place that question on the order paper, where it will be answered in due course.

PILOTAGE

INQUIRY AS TO REPORT OF ROYAL COMMISSION

On the orders of the day:

Mr. Barry Mather (New Westminster): Mr. Speaker, I have a question I should like to ask the Acting Minister of Transport. Could the minister give us any news concerning the whereabouts of the report of the pilotage commission? I think it has been under way for four years. Perhaps he could send a pilot to pilot it back.

INDUSTRY

POSSIBLE CHANGE IN CRITERIA RESPECTING DESIGNATED AREAS

On the orders of the day:

Mr. A. D. Hales (Wellington South): Mr. Speaker, my question is for the Minister of Industry. Is the minister giving consideration to changing the criteria now in use for the selection or designation of areas of low economic growth?

[Mr. Speaker.]

Mr. Speaker: Order. It seems to me that this question is of a general nature, and I wonder whether it should be asked at this time.

Mr. Hales: Mr. Speaker, this is a matter of very urgent importance to those in my particular part of the country who are waiting for a decision on this matter.

Hon. C. M. Drury (Minister of Industry): Mr. Speaker, as I have indicated before, a continuing review is being carried out with a view to establishing the appropriateness of the criteria.

NICKEL—REPORTED DEVELOPMENT OF BLACK MARKET

On the orders of the day:

Mr. R. R. Southam (Moose Mountain): Mr. Speaker, I have a question I should like to direct to the Minister of Energy, Mines and Resources. In view of the serious situation in respect of a black market which has developed in the sale of nickel on the Canadian market in the past few weeks, what action is the minister or the government taking to see that Canadian users of this important metal do not have to pay these inflated prices and as a consequence find themselves in a more non-competitive position in the world markets?

Mr. Speaker: Order. I believe this question should be placed on the order paper. If the hon. member feels there is an urgency, which I fail to see, I would be pleased to give the hon. member an opportunity to debate the question on the adjournment motion.

GRAIN

WHEAT—REQUEST FOR ANNOUNCEMENT OF PRICE UNDER INTERNATIONAL AGREEMENT

On the orders of the day:

Mr. George Muir (Lisgar): Mr. Speaker, my question is for the Minister of Trade and Commerce. Now that western farmers are in the process of planning their spring seeding operations, could the minister inform us when he expects to be able to announce the new price schedule under the international wheat agreement?

Hon. Robert Winters (Minister of Trade and Commerce): Mr. Speaker, we will do that at the very earliest opportunity. We are still in the process of negotiating a new international wheat agreement.

OLD AGE SECURITY

REQUEST FOR ASSISTANCE TO INDIANS AND ESKIMOS IN FILING APPLICATIONS

On the orders of the day:

Mr. Robert Simpson (Churchill): Mr. Speaker, some time ago I asked the Minister of Indian Affairs and Northern Development whether he could assure the house that steps would be taken by officials in the Indian affairs branch to assist the recipients of old age pensions among our Indian people to fill out the necessary application forms for the $30 a month old age pension supplement. Can the minister say now whether a directive has gone out to the field men to do this and, if so, when was this done?

Hon. Arthur Laing (Minister of Indian Affairs and Northern Development): Mr. Speaker, I am informed that this has been done everywhere.

Mr. Simpson: I have a supplementary question, Mr. Speaker. I should like to ask the minister whether he could give particular attention to the situation in northern Manitoba, because, having just returned from there I find that nothing has been done there so far.

CANADIAN BROADCASTING CORPORATION

PROVISION OF TELEVISION SETS TO MEMBERS OF PREVIOUS GOVERNMENT

On the orders of the day:

Mr. R. W. Prittie (Burnaby-Richmond): Mr. Speaker, I wonder whether the Secretary of State can answer today the question which I asked yesterday concerning the T.V. sets?

Hon. Judy V. LaMarsh (Secretary of State): Mr. Speaker, I have ascertained that my predecessors who were responsible for the C.B.C.—

Mr. Speaker: Order, please. My recollection is that the question asked yesterday by the hon. member, if it is the question I have in mind, had either been ruled out of order or I had suggested to the hon. member that he should place it on the order paper.

Mr. Prittie: Mr. Speaker, may I say with respect that you have allowed a number of questions on the same line, and the Secretary of State has made replies.

Mr. Speaker: I may have allowed other questions, but this particular one has not been allowed. I believe I suggested that it be placed on the order paper. It cannot be asked today.

EXCISE TAX AND OLD AGE SECURITY ACT

Hon. Mitchell Sharp (Minister of Finance) moved the third reading of Bill No. C-268, to amend the Excise Tax Act and the Old Age Security Act.

Mr. Eric A. Winkler (Grey-Bruce): Mr. Speaker, for a considerable period of time it was felt that possibly we should permit third reading of the bill, until we realized that the Minister of Finance himself indicated to the house that the measure before the house with regard to the Excise Tax Act did not provide that the moneys which would accrue from its application would in fact be placed in the old age security fund. Our position on this question has been very clear and firm throughout the debate, and I recognize that at this time I am not allowed to reiterate some of the points that have been made already in order to indicate to the house and to the country that our position has been the correct one.

When we were made aware initially—and as I recall we did so from answers to questions which I myself placed on the order paper—of the amount of money that was to be made available to the government for this purpose, I think we had the support of some of our friends to the left in the proposals we put forward from time to time, and we were certainly supported in the program that we laid before the house and before the country. When the measure was first introduced in the house we knew that sufficient money was already available and that the minister would not be required to present his budget or to apply the tax that is proposed in the bill before us. Indeed, many people throughout the country would have been quite satisfied with the proposal which was so ardently put forward by my party as well as by almost all members on this side of the house.

At one stage of the debate the Minister of National Health and Welfare indicated that I advocated that course for the sake of publicity. Nothing could be further from the truth, as is well known by everyone in this country. After what has transpired, namely the way in which this government has seen fit to spend money in other fields and the way they have established the division of the Department of National Health and Welfare to administer the payments for which the money is being collected, it is obvious that the Minister of Finance could have shown a greater degree of responsibility and effciency in preparing and presenting this bill. It is very clear that this money was not needed at the time because it

will not go into the old age security fund. Therefore there was no need to collect it for this purpose. Consequently I move the following amendment:

• (3:30 p.m.)

That Bill No. C-268 be not now read a third time but be referred back to the committee of the whole with instructions to the committee to amend the said bill to provide that all moneys raised by the increase in the levy of the Excise Tax Act as provided by the said bill shall be paid into the old age security fund for the purposes of meeting supplementary old age security payments authorized by this parliament and not into the consolidated revenue fund.

While you are giving consideration to the amendment I have placed before you, Mr. Speaker, I want to say a word about what has happened to the taxpayers' money which has made this supplementary payment possible with a means test. Let no one deny this. Many years ago the means test was thrown out by parliament as outmoded and useless. It was regarded as an old fashioned way of giving to deserving people a little bit of charity. Now the present government is reinstituting the means test. I suggest that the amount of money it is costing the taxpayers to institute this plan is substantial. For instance, forms have been printed, pamphlets have been printed and a bureaucracy organized, and the cost of all this to the taxpayer is one thing this government should endeavour to change.

As I indicated in a previous speech, in the area of social justice the government now has three divisions, with goodness knows how many people to administer these policies. All these measures could be brought under one division and administered by the same people. We suggested that a flat rate payment of $25 a month be made across the board to all recipients of old age security. The Minister of National Health and Welfare (Mr. MacEachen) suggested this was the easy method, the old method of solving this problem and the government wanted to try something new. However, the new method is going to cost the country an additional amount in taxes.

If we read the Auditor General's report we find that the government implemented its program without authorization to spend the money. They had to come back later and get approval. Although I suppose at this juncture it does not matter any more, this fact is indicative of the inefficient way in which this government functions in almost every area.

When I have returned to the constituency of Grey-Bruce during the last two or more weeks I have found that the whole program has been a confusing one. I tried to find out how an applicant could determine what amount of money he was allowed to have or what amount of money he was allowed to deduct from income. I found that even the government did not know the answers to some of these questions, particularly with regard to capital cost allowance. The other evening we found that the Minister of Finance (Mr. Sharp) was not sure whether the recipients of these supplements were going to be forced to acquire a social security number, as the measure under consideration at that time required other people to do. This all proves to me that our program would have been the correct one, and we had a considerable degree of support from the hon. member for Winnipeg North Centre (Mr. Knowles). Our program would not have necessitated the employment of another group of civil servants for administrative purposes. Indeed, it could have been instituted without any increase in taxes, and certainly without the introduction of the recent mini-budget.

The government took the view that our program was going to be too costly, and yet if we knew the total cost of the government's program in so far as advertising, the printing of brochures and other papers is concerned, I am quite sure our program would have been less expensive. I feel certain the fund would have lasted well beyond the current fiscal year and perhaps the next one as well. When one reads the report concerning the proliferation of positions in the civil service and the amount of money this is costing the taxpayer, I can assure you that a $25 payment across the board would have resulted in a considerably lower expenditure than that which the government is now making.

So, Mr. Speaker, in view of the increase in taxes the minister is proposing in this measure I am suggesting, on behalf of my colleagues, that we keep the government honest and that we put forth every effort on behalf of the senior citizens and the taxpayers of Canada toward having the money that will accrue from this measure placed where it rightfully belongs, in the old age security fund. I do not believe the minister expects for one moment that in putting this money into the consolidated revenue fund it will be used only if necessary. The minister will find some other way of spending it and if he cannot he has a lot of colleagues who will. The position we are taking is that we want the government to remain honest with the taxpayers and with the senior citizens of Canada, so in

accordance with the terms of my amendment we want the money placed in the old age security fund.

Mr. Deputy Speaker: The Chair has read the amendment proposed by the hon. member for Grey-Bruce and is prepared to listen to arguments on its validity.

Mr. Pennell: It is my respectful submission, Mr. Speaker, that the amendment proposed by the hon. member is outside the prerogatives granted to private members. This amendment will affect the balance of ways and means. During the course of his argument the hon. member clearly indicated that the Minister of Finance (Mr. Sharp) will find some way of spending this money. If I may use his words, he wanted to keep the government honest. Clearly, in his mind, this money was going to be spent by the Treasury Board. On his own explanation the amendment is clearly going to affect the balance of ways and means. It is my respectful submission, therefore, that the amendment is out of order. This amendment is moved by one who is not accountable for items of public expenditure, and I would ask you to so rule.

• (3:40 p.m.)

Mr. Winkler: In that regard, Mr. Speaker, if my words were not correct or if we have misinterpreted the purpose of the introduction of this measure, I am willing to apologize. However, we know what is the purpose of the measure; that has been made clear. What we want is to see the minister put the money in the proper fund. That was the purpose of the mini-budget and it is the reason this measure is before us. That was the statement of the minister himself. Yet he now informs us that the money will not go into that fund. I have stated our position.

Mr. Diefenbaker: Mr. Speaker, I can see no reason that this amendment is not a proper one. It in no way interferes with ways and means. The amendment reads:

> That Bill C-268 be not now read a third time but be referred back to the committee of the whole with instructions to the committee to amend the said bill to provide that all moneys raised by the increase in the levy of the Excise Tax Act as provided by the said bill shall be paid into the old age security fund for the purposes of meeting supplementary old age security payments—

I submit there is no interference whatever with the balance of ways and means. This is the reason the tax was imposed. The excuse given was that the moneys that were to be raised were to provide for the extra old age security payment. Surely the government is not going to impose a tax for one purpose and then use the revenue for another purpose. This is what the amendment is designed to prevent.

We have placed our arguments before the house over and over again. We pointed to the danger of the action that was being taken and to the snooper's paradise that was being created as a result of the action of the government. Everywhere across the nation there will be snoopers snooping. The old age pensioners are being harried by an avalanche of documents, forms, brochures and advertising. And this all because of the fact that the government has stubbornly refused to permit the payment of an extra $25 a month to the old age pensioners of Canada, a measure which we in this party advocated.

Having brought in a tax which the minister stated was for the purpose of showing the people of Canada that they cannot get something for nothing, the government now wishes to use the money for other purposes. They extract money under one pretence and are going to use the money for another purpose. Surely, Mr. Speaker, this can in no way be justified.

I suggest to Your Honour that there is no interference with ways and means and that this amendment is a proper one. We know the waste that is taking place. The amount of advertising being placed across the country is unbelievable. Hundreds of thousands of dollars are being wasted by a government that is using this measure for the sole purpose of pretending that those who pay this extra tax are providing the amount required for the supplementary payment to the old age pensioners when in point of fact the money is going to be placed in the general consolidated revenue fund.

If the people were of the opinion that money devoted to a certain purpose should go into the old age security fund, what possible objection could the government have? There is no interference at all with ways and means because the money would be paid. There is no direction in any way of the manner in which ways and means shall be applied. The government has said that the money derived from these extra taxes that are being mulcted out of the Canadian people will be used for the purpose of making the supplementary payment to the pensioners. Now, Mr. Speaker, having led the way clothed in the garments of political righteousness which they assumed in this connection and appealed to the people,

they are going to use the money they have secured for another purpose.

All that this amendment says in effect is: Carry out your promise. You said that social security has to be paid for—and I am one who believes that. Therefore, use this money for the purpose for which it was extracted, rather than choose another method for the expenditure which you told the people of Canada was being levied for specific purpose. I say, Mr. Speaker, that this amendment is the only way in which the members of this house can impress upon the government the necessity for keeping their word.

Mr. Sharp: Mr. Speaker, I should like to support my colleague the Solicitor General in his position that this amendment is out of order and beyond the competence of private members. In so doing I should like to draw attention to what I said on December 19 when I introduced these proposed measures. It has been suggested by the Leader of the Opposition and by other speakers that somehow I misled the house or misled the public. At the same time as I am speaking on the validity of the amendment I should like to reply to the other point since both are related.

On December 19 I said that I had to meet immediate cash needs arising out of the increase in payments to old age pensioners. I proposed to meet these cash needs in two ways. The first way was by increasing the ceiling under the Old Age Security Act with relation to the 4 per cent tax on personal incomes. I did that because there was a duty laid upon me by parliament to keep the old age security fund reasonably in balance. As I have said on previous occasions, Mr. Speaker, this has been honoured as often in the breach as in the performance. Nevertheless, as Minister of Finance I have the responsibility of proposing measures when I have reason to believe that the fund is out of balance. For that purpose I proposed to raise the ceiling on the old age security tax on personal incomes.

Then, as reported at page 11336 of *Hansard* for December 19, I had this to say:

> The second tax change I am recommending is intended to add to our general revenues to provide the remaining cash required to pay the guaranteed income supplement.

For that purpose, Mr. Speaker, I proposed that there should be an addition of 1 per cent made to the general sales tax, with certain exceptions that are familiar to the house.

[Mr. Diefenbaker.]

I thereupon proposed two resolutions, Mr. Speaker, to which I should like to draw your particular attention. The first read as follows:

> That it is expedient to amend the Old Age Security Act to provide that for the 1967 and subsequent taxation years the maximum amount of old age security tax payable on the taxable income of an individual be increased from $120 to $240.

The second resolution read:

> That it is expedient to amend the Excise Tax Act to provide that, effective January 1, 1967, the rate of the consumption or sales tax imposed under section 30 of the said act be increased from 8 per cent to 9 per cent—

And so on. There, Mr. Speaker, it is quite clear I was not relating this to the Old Age Security Act; otherwise I would have proposed an increase in the particular excise tax that is imposed under the Old Age Security Act. For these reasons I support the Solicitor General in saying that this proposal does affect the balance of ways and means.

• (3:50 p.m.)

Mr. Monteith: Mr. Speaker, regardless of what the minister may have said on December 19—

Mr. Diefenbaker: It is not clear.

Mr. Monteith: The matter is not clear. The minister implied that his reason for introducing the mini-budget was that he wished to raise money for the old age supplementary payments. That this was his purpose was accepted by citizens across Canada, by the press and by all news media. It was said that the purpose of the mini-budget was to provide the funds necessary for the supplementary payment.

We did not wish to do it the way the government had proposed doing it. We should have preferred to give old age pensioners a flat increase of $25 per month. Nevertheless, everybody understood that the purpose of the extra taxes was to pay for the supplement. All editorials on the mini-budget commented on this situation. If the people are to be misled in this way and if the amendment is not allowed, I can see no alternative open to us other than to vote against the bill on third reading.

Mr. Olson: Mr. Speaker, the question to be considered is whether the amendment is in order. Having looked at the precedents and citations in Beauchesne I suggest that the matter is not clear. I say that because I find contradictions. Do the precedents establish the competence of a member of the house to

move adjustments to a money bill? Citation 263 reads:

(2) The principle that the sanction of the Crown must be given to every grant of money drawn from the public revenue, applies equally to the taxation levied to provide that revenue.

Citation 265 says:

(1) No member other than a minister of the Crown may introduce a bill for the reduction of duties.

Of course the underlying principle is contained in citation 249 which reads:

(1) No cases can be found of any private member in the Canadian Commons receiving the authority of the Crown, through a minister, to propose a motion involving the expenditure of public money.

I submit there is authority showing that no amendment involving public expenditure can be moved by anybody but a minister of the crown. Even then the proposal must be preceded by a money resolution.

Turning to citation 270 of Beauchesne we find these words:

(1) A private member may move that certain specified taxes be readjusted—

Mr. Monteith: Hear, hear.

Mr. Olson: The citation goes on to say:

—and that the scope of tax exemptions be enlarged.

What must be decided, Mr. Speaker, is whether there will in fact be an additional expenditure involving the public treasury which was not provided for in the resolution. I say that because if the money collected under Bill C-268 is to be transferred in some way other than provided for in the resolution preceding the bill, the amendment is out of order. On the other hand, if there is to be no additional charge on the public treasury it is difficult to see why the amendment would upset the balance of ways and means. Upsetting the balance of ways and means was the reason advanced by the Solicitor General.

Citation 278, the fourth paragraph, reads,

(4) The committee is not bound by the terms of the provisions which the ministers have inserted in the bill—

The bill does not say where this money is to be put. The money is to be found and the tax is to be an additional charge on the taxpayers of Canada. It is to be paid into the consolidated revenue fund of Canada.

Mr. Sharp: That is the point.

Mr. Olson: Certainly, that is one of the points. Citation 270 says:

A private member may move that certain specified taxes be readjusted—

I take it that that means that the matter may be readjusted without upsetting the balance of ways and means. Referring again to citation 278, paragraph 4, we find these words:

(4) The committee is not bound by the terms of the provisions which the ministers have inserted in the Bill—

I suggest to Your Honour that if you invoke this citation—the authority for it is not given —and if the committee is not bound by the terms of the provision in the bill, the amendment does not change the balance of ways and means. It does not change what was encompassed in the resolution preceding the bill. Therefore the amendment ought to be in order.

The last part of citation 278 reads as follows:

—whatever may be the cost resulting therefrom, so long as the power conferred by the royal recommendation is not exceeded.

I submit that there is authority supporting the hon. member for Grey-Bruce in his attempt to adjust the allocation of certain taxes, so long as the hon. member's amendment does not involve changing the amount of the taxes. I should add, Mr. Speaker, that the amendment ought not to increase taxes, but many citations show that a private member has competence to move motions to reduce taxes. The hon. member's amendment does not attempt to increase taxes. It simply seeks to restrict these taxes to a specified purpose.

The bill does not specify where the money is to go, and that troubles me. One must assume that the money raised through the bill is to go into the consolidated revenue fund. Relying on citation 270, I think there is authority to support acceptance of the hon. member's amendment.

Mr. Winkler: Would the hon. member permit a question which is germane to the final part of his presentation? The Minister of Finance told the house that he is collecting money for the old age supplement. Because the money collected often exceeds the forecast of need, would it not follow as a matter of common sense that the honest and correct thing to do would be to pay the money into an old age supplement account? The minister already has the old age security fund. The budget was introduced to raise money for the

supplement. I ask the hon. member if it would not be the fair and honest thing to do to pay the money into an old age supplement account?

Mr. Olson: I am not prepared to argue about what is fair or honest or what the hon. member for Grey-Bruce or any other member thinks should be done.

Mr. Winkler: One has to be honest once in a while.

• (4:00 p.m.)

Mr. Olson: All we have before us is Bill C-268 and an attempt to move an amendment which would refer the bill back to committee for the inclusion of a provision that all these moneys be paid directly into the old age security fund. To answer the hon. member's question, as far as I know there is no provision made in the bill for a supplementary old age pension fund. Whether he thinks it would be a good idea to have one or whether I do is irrelevant to the point of order before the house at the moment.

Mr. Deputy Speaker: I thank hon. members for the contributions they have made in helping the Chair to decide whether or not the amendment moved by the hon. member for Grey-Bruce is in order.

First I should point out that the amendment deals with the disposition or the rerouting of moneys. As such, it is a financial proposal which would have to be contained in the resolution preceding a money bill. Further, I should like to read to the house citation 418 of Beauchesne's fourth edition which reads as follows:

> The question for the third reading is put immediately after the report from the committee of the whole. All amendments which may be moved on the second reading of a bill may be moved on the third reading with the restriction that they cannot deal with any matter which is not contained in the bill.

In the opinion of the Chair the amendment proposed by the hon. member for Grey-Bruce introduces a new principle. It deals with something which is not contained in the bill and therefore it is not admissible as an amendment on third reading. I regret I shall have to rule the amendment out of order.

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, I agree with the hon. member for Grey-Bruce (Mr. Winkler) as well as with other members of the house that if there is to be an increase in the sales tax the proceeds from that increase ought to go into the old age security fund. However, it appears that a vote on that issue will not be possible. This leaves us again on the main motion for the third reading of Bill C-268.

[Mr. Winkler.]

I wish to state categorically on behalf of this party that we are still opposed to any increase at all in the sales tax. I intend to propose an amendment to the motion for third reading which, if passed, would give the committee of the whole an opportunity to reconsider clause 1 of the bill. Clause 1 of Bill C-268 is the clause in this legislation which raises the sales tax by 1 per cent. What it does, of course, is to raise the general sales tax from 8 per cent to 9 per cent, and with the addition of the 3 per cent old age security tax this gives us the 12 per cent federal sales tax which is now in effect.

Our point is simple, direct and clear. We think this 1 per cent should not be added to the sales tax. My amendment, the only one which can be moved at this stage to give the house a chance to consider this matter, will be to this effect.

Let me indicate two or three reasons for believing that the sales tax should not be increased at this time. First, if I may do so without provoking some wry humour of the part of the Minister of Finance (Mr. Sharp) I should like to mention the Carter report. It seems that when one of us on this side of the house mentions the Carter report the hon. gentleman is amazed that we have somehow understood at least parts of it during the short time in which it has been available. I confess that I too have not read it all yet, and no doubt when we read it in all its detail we will find things in it with which we do not agree. But it is fairly clear that the Carter commission is against a federal sales tax at the level which now prevails. It is also clear that the commission is against a federal sales tax applied at the manufacturers' level which facilitates the escalation of that tax so that it becomes a much higher percentage by the time it reaches the consumer.

Even though it may take time to deal with all the recommendations in the Carter report, even though there is a case for those recommendations being considered as a package, I think it is an insult to this house to ask us to fly in the face of the opposition expressed by the commission to this kind of sales tax by inviting us to vote for a bill which increases the federal sales tax at the manufacturers' level to 12 per cent.

Mr. Sharp: May I ask the hon. gentlemen a question? Is the Carter commission not also opposed to the income tax in its present form?

Mr. Knowles: Yes, that is perfectly correct. But the Minister of Finance is not by this bill proposing any changes or extensions in the income tax other than the provision raising the limit on the old age security tax.

Mr. Sharp: Would the hon. member permit another question? The reason I ask it is this. If we refrain from imposing this 1 per cent tax, I gather he would prefer raising the money through some other form of taxation. He does not disagree that we need the money, does he?

Mr. Knowles: Is the minister inviting me to remind him of the recommendation in the Carter commission report that a capital gains tax be imposed? If that is his intention I will certainly do so, with pleasure.

Mr. Sharp: And that a reduction be made in the top limits of personal income tax?

Mr. Knowles: Most of what I see in the Carter commission report, I like.

Mr. Sharp: That is not what the hon. gentleman was suggesting.

Mr. Knowles: Let me enter a caveat against the taxation of co-operatives and credit unions and a few things of that sort.

Some hon. Members: Hear, hear.

Mr. Knowles: I am pleased to have provoked a few "hear, hears".

Let us consider this question straightforwardly. What is before the house now is not legislation amending the income tax structure generally. What is before us is a simple, narrow proposition in two parts. One has to do with the ceiling on the old age security tax that people pay. The other, the more significant one, is an increase in the federal sales tax. The Carter commission having stated its view that a federal sales tax even at its present level is undesirable, I submit it is an insult to hon. members of this house to ask us to fly in the face of that opinion by passing a bill which would raise that tax by another percentage point. As a matter of fact the sales tax increase that is provided in this bill represents, I believe, $155 million a year out of the $290 million a year that the minister expects to raise by way of extra revenue as a result of this bill.

• (4:10 p.m.)

I have asked the minister two or three times by means of questions on orders of the day if he would consider postponing third reading of this bill in view of the recommendations of the Carter report. He told me no the first time, but then he did postpone it a week. When I asked him once more he told me no again, but once again he postponed it. I only hope he keeps on postponing it. However, the house will decide on that question when it votes on the amendment which I will be moving in a few minutes.

The second reason for our opposing the increase in the sales tax is in line with what was argued by the hon. member for Grey-Bruce and those who spoke on the point of order a few moments ago, namely, that this sales tax revenue is not going into the old age security fund. We have been over this argument back and forth, around and about and home again, several times. The minister talks at one point about balancing funds and at another point about cash inflow and cash outflow, and so on. But in my view the hon. member for Perth (Mr. Monteith) was perfectly correct when he said a few minutes ago that the general public's understanding was, and is, that the whole purpose of the taxes being raised by the mini-budget was to meet the increased cost of old age security pensions.

Mr. Sharp: To raise the cash.

Mr. Knowles: The minister returns to cash when we talk to him about the fund. If that is the case I suggest to him that he pick up the Carter report again and read what it says about these funds for social security purposes. I am glad to see him nodding his head. Apparently he has read that part of the report and apparently he agrees with the report's recommendation that these funds for social security purposes are really just political devices.

Mr. Sharp: Hear, hear.

Mr. Knowles: Mr. Speaker, it is a red letter day when we get a comment from the Minister of Finance on the Carter report. He agrees with what the Carter commission says about funded social security funds.

Mr. Douglas: Without a three year period of contemplation either.

Mr. Sharp: I would have agreed with that before they published the report.

Mr. Knowles: As a matter of fact, the minister has made statements like that two or three times during the course of this debate. I suggest that if he agrees with that he should not be so concerned about what he calls his responsibility as Minister of Finance to put taxes into a fund which he now admits is just a political device after all. So, Mr. Speaker, because the money is not going to be used for the fund which in the public mind is the fund that is used to pay pensions, we suggest it is not necessary.

May I also point out that there is still plenty of money in the old age security fund, if we accord any sanctity at all to these funds, to pay old age security pensions for quite a while into the future. I know the minister asks, "Where is the cash"? But as I say, at one moment he says, "I have to find the cash," and at another moment he says, I have to keep the fund reasonably in balance." Why does he have to keep the fund reasonably in balance? Is it just an accountancy exercise, or does it mean that fund has to be kept reasonably in balance so that payments can be made out of it?

The government publishes its own figures with respect to the fund. In this connection I am looking at page 632 of the *Canada Gazette*, part 1, for Saturday, February 25, 1967, which is fairly recent. In fact I think it is the most recent issue, and on that page we are given figures about old age security fund transactions. We are given them by years for quite a number of years and for the last three years we are given them by months.

I find that in the most recent month for which there are figures, January, 1967, the surplus of collections from taxes for old age security purposes over payments made out was the largest it has ever been in any month in the history of that fund. This, I repeat, was in the month of January following passage of the pension increase in December and before the money from these extra taxes has started to go into the fund. In the month of January the government collected by way of its 3-3-4 taxes—per cent on corporations, 3 per cent on sales tax and 4 per cent on income—$50.2 million more than it paid out. Yet the minister talks about the problem of finding the cash. He picked up a lot more cash in January than he needed to pay these pensions.

He has also told us that the old age security fund, with the money that is going to be put into it by raising the ceiling on the income tax people pay for old age security, will remain in reasonable balance, to use his own words, until 1971. He says that will be the case even though there will be extra payments out of it for the guaranteed income supplement and even though the eligible age will be brought down to 65 years.

What is the point of having a fund that seems to be reasonably solvent, since there was $50 million worth of gravy added to it in January, 1967, if with all that money around and that surplus coming in the minister comes along and says, "We need this extra cash and we are going to get the extra cash by imposing a sales tax, but we are going to put the money into the consolidated revenue fund"? We think it is all wrong, Mr. Speaker, on all counts.

As I have already said, Mr. Speaker, Bill No. C-268, while it has several clauses, has but two main propositions. On the one hand it raises the sales tax about which I have been talking. On the other hand it raises the ceiling on the amount of income on which one pays the 4 per cent social security income tax. We are in agreement with the latter proposition.

If you go right back to 1950 when we discussed this matter in the committee on old age security you will see that we advocated that there be no ceiling on this tax. We advocated that the tax people paid for old age security should be on all income, no matter how high those incomes might be. We opposed the $60 ceiling, then the $90 ceiling, and following that the $120 ceiling. Therefore we do not quarrel with raising the ceiling now from $120 a year to $240 a year.

The minister has certainly not demonstrated that he needs it. He certainly does not need it, but he says that with this increase he will be able to keep the fund reasonably in balance until 1971. Therefore, Mr. Speaker, we are not going to criticize this second proposition. We are not going to criticize or seek to vote against the proposal that the ceiling on income taxes for old age security purposes be increased, but we do register our strong objection to the increase in the sales tax. We think it is not needed at all in terms of budgetary arrangements, and despite what the minister says we think the whole proposition is misleading to the country. We think the Carter report's pronouncements on this issue should be taken note of, and therefore we think the house should send the bill back to the committee of the whole and give it the chance to reconsider clause 1. Clause 1 is the clause which raises the sales tax by 1 per cent. We hope the result of the reconsideration that would follow the passing of our

amendment at this time would be to wipe out that increase in the sales tax.

• (4:20 p.m.)

Therefore, Mr. Speaker, I move, seconded by the hon. member for York South (Mr. Lewis):

That Bill No. C-268 be not now read a third time, but that it be referred back to the committee of the whole house for the purpose of reconsidering clause 1 thereof.

Mr. H. A. Olson (Medicine Hat): Mr. Speaker, this amendment, of course, is worded in such a way that the hon. member for Winnipeg North Centre (Mr. Knowles) knows very well it is in order. It simply refers to a reconsideration of clause 1. There is no doubt that many hon. members, including the members of this party, are in some measure of agreement with the arguments advanced by the hon. member for Winnipeg North Centre. The statement was made by the minister when he introduced the mini-budget in December that there are sufficient moneys in the old age security fund to pay not only the present requirement of $75 a month under the Old Age Security Act but also the anticipated expenditures for the supplement to the old age security pension until, I believe, somewhere in 1968 or 1969. So there is no question that for the immediate cash requirements for this particular purpose there is sufficient money coming in now. There is a surplus in the old age security fund and if the supplement is paid out of that same fund there is no immediate need with receipts coming in at the present rate.

I suggest there is something that can be said for the government in fact levying taxes only when they are needed for a particular purpose provided they can show that they are needed for that purpose. The Minister of Finance (Mr. Sharp), of course, on at least one or more occasions has suggested that the increase provided for in clause 1 of Bill No. C-268 is for the purpose of taking care of the additional expenditures involved in the supplement to the old age security payments.

But, Mr. Speaker, it seems to me that all the arguments the hon. member for Winnipeg North Centre has advanced this afternoon in moving this amendment have been placed before the house not only once but on a number of occasions. The fact is that the majority of hon. members did not choose to acquiesce in those arguments or amendments. I recognize that perhaps there can be some admiration of the perseverance exhibited in presenting exactly the same case and the same argument over and over again, but there comes a point when one must accept the fact that the government must bring in the amendments so far as old age security or any other expenditure is concerned, and that the majority rules.

I suggest to you, Mr. Speaker, that we reached that point some time ago. While many members of the house, including the hon. member for Winnipeg North Centre, might like to go on repeating exactly the same arguments and have another vote on exactly the same issue, because of course it is permissible under the rules to refer a bill back which has already been through the committee, I think this is a waste of time.

Mr. Cameron (Nanaimo-Cowichan-The Islands): Are you suggesting that we abolish the third reading stage of bills?

Mr. Olson: If because of third reading we are to be continually faced with a repetition of having exactly the same proposition put before the house which we have just gone through on second reading, then I suggest that we are engaging in a useless and frustrating exercise. If members of the New Democratic Party continue to do what they have been doing recently, waste the time that is needed by parliament to deal with other matters which have not yet been considered by the house, then perhaps we might give some consideration to amending the provision for third reading so that we do not have to have this useless repetition.

I am sure the hon. member for Winnipeg North Centre knows in his own mind that he has about as much chance to succeed in getting this bill amended, if it is referred back to the committee now, as he had when the same arguments were advanced on second reading. Therefore he has not acted in a sincere belief that changes will be made. He has taken this action simply for the purpose that his party may get some mention in the press of their perseverance in attempting to do some of these things. We in this party are interested in getting on with the business of the house so that we can provide as much of an increase as possible to the senior citizens who need it as quickly as possible. The way we can achieve this is by passing third reading now and getting this legislation into effect. We know, as does the hon. member who moved this amendment, that absolutely nothing will be achieved by it except to waste time. If this amendment is passed we will be in exactly the same position when we get back to third reading again.

Mr. Knowles: Is the hon. member satisfied in advance that there is no purpose? Does he not believe that if he voted with us there might be a chance to win the vote?

Mr. Olson: We know the consequences which would result if the hon. member had his way. The result would not be to the advantage of the senior citizens of this country who need this additional money in the form of the supplement as quickly as it can be delivered to them. One way to achieve this purpose is by passing the legislation.

Mr. Knowles: Has not the amendment to the Old Age Security Act already been passed? Is it not in effect whether or not this bill passes?

An hon. Member: Of course it is.

Mr. Monteith: Of course it is.

Mr. Lewis: The hon. member knows it.

Mr. Olson: The hon. member for Winnipeg North Centre, as well as his colleagues sitting around him who are smiling at this point, know that while we do some pleasant things we have to do the unpleasant job of collecting the money as well. If they think they can avoid this they are going to have a rude awakening if they ever form a government, and so will the people who have been accepting this kind of garbage over the years.

Mr. Douglas: Did the hon. member not say that there is now sufficient money to last until 1969? Even if the amendment of the hon. member for Winnipeg North Centre were accepted there would still be enough money to last until the end of March, 1971. Therefore, how could this amendment delay payment of the supplement to the old age pension?

• (4:30 p.m.)

Mr. Olson: That is correct, but the leader of the New Democratic Party has completely misunderstood the argument I was trying to advance. He knows very well that this will not be done anyway. All we are doing is wasting more time because all the arguments that are now being advanced in support of sending this bill back to the committee have already been advanced previously and were not accepted at that time. All that is being asked in this amendment is that the bill go back to the committee for reconsideration of clause 1. What is more, that reconsideration will be undertaken on the basis of arguments that have already been advanced.

Mr. Howard: Mr. Speaker, I rise on a point of order with respect to the hon. gentleman. I should like to ask that you cease to recognize him because obviously he should be in the Senate and the Liberals should appoint him to that body.

Mr. Olson: If the suggestion of the hon. member for Skeena brings the same results as his other suggestions have, then I would propose that the Liberal party disregard it completely.

The main point of my argument is simply to plead that the house be sufficiently realistic and practical to realize that the best way to proceed to dispose of this amendment and to go on to the other business with which members of parliament are charged. We have heard all the valid arguments that can be advanced. To continue this discussion will mean a repetition of arguments we have heard before and on which the house has already decided.

May I point out, Mr. Speaker, that according to the rules there should only be one session of this assembly a year. This session, which has been under way since January 18, 1966, has already lasted 13 months. We are not moving ahead with the business that is before the house and the reason is that hon. members are continually invoking the rules so as to waste more time. I suggest, therefore, that the most expeditious way in which we can dispatch the business before the house is to pass third reading of the bill. I do not think the bill is perfect but we should proceed to other matters which demand the attention of the house.

Hon. J. W. Monteith (Perth): Mr. Speaker, I would like to clarify one point which the hon. member for Medicine Hat raised. He suggested that the recipients of old age security might not receive these payments retroactive to January 1 if we did not pass this bill. He knows very well that this is utter nonsense.

Mr. Olson: I never said that.

Mr. Monteith: That was the implication of what was said. He also said that third reading of the bill was a useless and fruitless exercise. Surely to goodness he has sufficient respect for the rules of the house to realize that we have to go through various procedures and that a bill cannot become law until the last step has been taken. We are still considering Bill C-268, and there is certainly nothing wrong with anything that has been said thus

far on third reading. I think that his statements have been utterly ridiculous.

Mr. E. Nasserden (Rosthern): Mr. Speaker, may I say with regard to some of the statements made by the hon. member for Medicine Hat (Mr. Olson) concerning the passage of business of the house that we could save a great deal of time if the members of his party would vote in accordance with what they say on matters that are before the house. They have supported the government on every occasion even after having criticized the legislation before the house.

The Deputy Speaker: Is the house ready for the question?

The house divided on the amendment (Mr. Knowles) which was negatived on the following division:

• (4:40 p.m.)

Division

YEAS

Messrs:

Aiken	Knowles
Alkenbrack	Lambert
Allard	Lewis
Ballard	MacDonald (Prince)
Barnett	MacEwan
Beaulieu	MacInnis
Bell (Carleton)	(Cape Breton South)
Brand	MacLean (Queens)
Brewin	McCleave
Cameron (Nanaimo-	McCutcheon
Cowichan-The Islands)	McIntosh
Cantelon	McKinley
Chatterton	Madill
Churchill	Mather
Clancy	Monteith
Coates	Moore
Code	Muir (Cape Breton
Crouse	North and Victoria)
Danforth	Muir (Lisgar)
Diefenbaker	Nasserden
Dinsdale	Nesbitt
Douglas	Nowlan
Enns	Nugent
Fane	Ormiston
Fawcett	Pascoe
Flemming	Peters
Forbes	Prittie
Forrestall	Rapp
Fulton	Régimbal
Gilbert	Ricard
Grafftey	Saltsman
Grills	Schreyer
Hales	Scott (Victoria (Ont.))
Harkness	Simpson
Hees	Southam
Herridge	Starr
Horner (Acadia)	Stefanson
Horner (Jasper-Edson)	Thomas (Middlesex West)
Howard	Wadds (Mrs.)
Irvine	Webb
Jorgenson	Winch
Kindt	Winkler—81.

NAYS

Messrs:

Andras	Laverdière
Asselin	LeBlanc (Rimouski)
(Richmond-Wolfe)	Leboe
Badanai	Legault
Béchard	Lessard
Batten	Lind
Berger	Loiselle
Byrne	Macaluso
Cadieux (Terrebonne)	Macdonald (Rosedale)
Cameron (High Park)	MacEachen
Cantin	Mackasey
Cashin	McNulty
Chatwood	McWilliam
Chrétien	Matheson
Clermont	Matte
Comtois	Mongrain
Côté (Dorchester)	Neveu
Côté (Nicolet-Yamaska)	Olson
Crossman	Pearson
Davis	Pelletier
Deachman	Pennell
Dionne	Pepin
Drury	Pilon
Émard	Prud'homme
Ethier	Richard
Faulkner	Rideout (Mrs.)
Foy	Robichaud
Gauthier	Rochon
Gendron	Rock
Godin	Roxburgh
Gray	Ryan
Greene	Sharp
Guay	Simard
Habel	Stanbury
Harley	Stewart
Hellyer	Tardif
Hopkins	Teillet
Hymmen	Thomas (Maisonneuve-
Isabelle	Rosemont)
Klein	Tolmie
Lachance	Turner
Laflamme	Wahn
LaMarsh (Miss)	Walker
Lamontagne	Watson (Châteauguay-
Langlois (Chicoutimi)	Huntingdon-Laprairie)
Langlois (Mégantic)	Whelan
Laprise	Winters—92.
Latulippe	

• (5:00 p.m.)

Mr. Speaker: I declare the amendment lost.

Mr. Tucker: I was paired, Mr. Speaker. Had I voted I would have voted against the amendment.

Mr. Macquarrie: I was paired with the hon. member for Essex East (Mr. Martin). Had I voted I would have voted for the amendment.

Mr. Rynard: I was paired with the hon. member for Brantford (Mr. Brown). Had I voted I would have voted for the amendment.

Mr. Smith: I was paired with the Minister of Forestry and Rural Development (Mr. Sauvé). Had I voted I would have voted in favour of the amendment.

Division

Mr. More: I was paired. Had I voted I would have voted for the amendment.

Mr. Speaker: Is the house ready for the question on the main motion?

Some hon. Members: Agreed.

Mr. Speaker: Call in the members.

• (6:10 p.m.)

During the calling of the members:

Mr. Diefenbaker: Is the house in session?

Mr. Speaker: The bells are still ringing. I am afraid the house is still not in session.

Mr. Diefenbaker: This is the most scandalous thing that has happened in all the years I have been here. The bells have been ringing for one hour and 17 minutes.

Mr. Starr: For one hour and 17 minutes.

Mr. Diefenbaker: It is a scandalous contempt of parliament.

An hon. Member: The hold-up is for a plane from Montreal.

Following the calling of the members:

The house divided on the main motion (Mr. Sharp) which was agreed to on the following division:

YEAS

Messrs:

Andras
Asselin (Richmond-Wolfe)
Badanai
Batten
Béchard
Berger
Byrne
Cadieux (Terrebonne)
Cameron (High Park)
Cantin
Cashin
Chatwood
Chrétien
Clermont
Comtois
Côté (Dorchester)
Côté (Nicolet-Yamaska)
Crossman
Davis
Deachman
Drury
Émard
Ethier
Faulkner
Foy
Gendron
Gray
Greene
Guay
Habel
Harley
Hellyer
Hopkins
Hymmen
Isabelle
Klein
Lachance
Laflamme
LaMarsh (Miss)
Lamontagne
Langlois (Chicoutimi)
Laverdière
LeBlanc (Rimouski)
Leboe
Legault
Lessard
Lind
Loiselle
Macaluso
Macdonald (Rosedale)
MacEachen
Mackasey
McNulty
McWilliam
Matheson
Matte
Mongrain
Neveu
Olson
Pearson
Pelletier
Pepin
Pilon
Prud'homme
Richard
Rideout (Mrs.)
Robichaud
Rochon
Rock
Roxburgh
Ryan
Sharp
Stanbury
Stewart
Tardif
Teillet
Thomas (Maisonneuve-Rosemont)
Tolmie
Turner
Wahn
Walker
Watson (Châteauguay-Huntingdon-Laprairie)
Whelan
Winters—84.

[Mr. Smith.]

NAYS

Messrs:

Aiken
Alkenbrack
Allard
Ballard
Barnett
Beaulieu
Bell (Carleton)
Brand
Brewin
Cameron (Nanaimo-Cowichan-The Islands)
Cantelon
Churchill
Clancy
Coates
Code
Crouse
Danforth
Diefenbaker
Dinsdale
Douglas
Fane
Fawcett
Flemming
Forbes
Forrestall
Gauthier
Gilbert
Godin
Grills
Hales
Harkness
Hees
Horner (Acadia)
Horner (Jasper-Edson)
Howard
Jorgenson
Kindt
Knowles
Lambert
Langlois (Mégantic)
Lewis
MacEwan
MacInnis (Cape Breton South)
MacLean (Queens)
McCleave
McCutcheon
McIntosh
McKinley
Madill
Martin (Timmins)
Mather
Monteith
Moore
Muir (Cape Breton North and Victoria)
Muir (Lisgar)
Nasserden
Nesbitt
Nowlan
Nugent
Orlikow
Ormiston
Pascoe
Peters
Prittie
Rapp
Régimbal
Ricard
Saltsman
Schreyer
Scott (Victoria (Ont.)
Simard
Simpson
Southam
Starr
Stefanson
Thomas (Middlesex West)
Webb
Winch
Winkler—79.

• (6:20 p.m.)

Mr. Speaker: I declare the motion carried.

Mr. Martin (Essex East): I was paired with the hon. member for Queens (Mr. Macquarrie). Had I voted I would have voted for third reading.

Mr. Pennell: I was paired. Had I voted I would have voted for the motion.

Mr. Rynard: I was paired with the hon. member for Brantford (Mr. Brown). Had I voted I would have voted for the motion.

Some hon. Members: Hear, hear.

Mr. Rynard: That was a slip of the tongue, Mr. Speaker. I would have voted against the motion.

Mr. More: I was paired. Had I voted I would have voted against the motion.

Mr. MacDonald (Prince): I was paired. Had I voted I would have voted against third reading.

Mr. Bower: I was paired with the hon. member for Restigouche-Madawaska (Mr. Dubé). Had I voted I would have voted against the bill.

Mr. Diefenbaker: Mr. Speaker, I rise on a question of privilege affecting the rights of members of this house. Both the Prime Minister and the Leader of the Opposition have a responsibility to parliament and it is in my capacity as Leader of the Opposition that I say this exhibition today, involving a delay of 77 minutes in the taking of a vote, is a gross perversion of the rights of members of this house and deserves the severest condemnation.

Some hon. Members: Hear, hear.

Mr. Diefenbaker: We hear unctuous references to the reform of parliament. What happened here today made a puppet show of this House of Commons and I protest with all the force at my command. There is no parliament in the British parliamentary system which would countenance a delay of this extent, wasting the time of members of parliament for the benefit of a government which was frightened.

Some hon. Members: Hear, hear.

Mr. Pearson: Mr. Speaker, the right hon. gentleman has a very convenient memory. He seems to have forgotten the days when he was on this side of the house and we were on that side. Very often we waited minute after minute, 10, 20, 30 and sometimes 40 minutes after the bell had begun to ring.

Mr. Diefenbaker: That is false, completely false, and the Prime Minister knows it is false.

Mr. Pearson: It is not false. There is no rule against ringing the bell. I would point out that we were in our places after the previous vote had been taken, and if the chief opposition whip had not left the chamber a vote could have been taken right then.

Some hon. Members: Hear, hear.

Mr. Diefenbaker: That statement is false, and the Prime Minister knows it.

Some hon. Members: Oh, oh.

PROCEEDINGS ON ADJOURNMENT MOTION

SUBJECT MATTER OF QUESTIONS TO BE DEBATED

Mr. Speaker: Order. It is my duty to inform hon. members that under provisional standing order 39A the following matters will be discussed on the adjournment debate: The hon. member for Norfolk (Mr. Roxburgh), National Health and Welfare—Smoking—reported C.B.C. statement by Stanley Burke; the hon. member for Greenwood (Mr. Brewin), National Defence—NATO—Possible change in Canadian military contribution; the hon. member for Sherbrooke (Mr. Allard), Ports—request for bringing thefts and pillage to an end in the port of Montreal.

It being after six o'clock the house will now proceed to the consideration of private members' business as listed on today's order paper, namely, private bills, notices of motions and public bills. Order. I suggest to hon. members that conversations, discussions and other meetings be held behind the curtains or in the lobbies.

PRIVATE BILLS

THE NORTH WEST LIFE ASSURANCE COMPANY OF CANADA

Mr. S. Perry Ryan (Spadina): Mr. Speaker, I am substituting for my friend, the hon. member for Vancouver-Burrard (Mr. Basford), and at his request and with his authority I would ask that Bill No. S-25 be proceeded with.

Mr. Ryan (for Mr. Basford) moved that the house go into committee to consider Bill No. S-25, to incorporate the North West Life Assurance Company of Canada.

Motion agreed to and the house went into committee thereon, Mr. Batten in the chair.

On clause 1—*Incorporation.*

Mr. Peters: Mr. Chairman, many of us in the house have been interested in the rash of insurance companies coming to parliament for incorporation. We have been interested in the distinction which is drawn between the operations of insurance companies and those of the banking institutions of this nation. We have re-assessed our position on banking institutions and decided the interests of Canada

can best be served by having them operated by persons who are responsible to the Canadian public. We have not taken such care with insurance companies, although such companies provide large sums of money used in our economic development, particularly mortgage money for housing.

• (6:30 p.m.)

It is interesting to note that this bill meets the criteria we are trying to establish with respect to ownership for all companies engaged in the insurance and assurance business. This is a Canadian company which was initially provincially incorporated in British Columbia, under provincial statute, in 1956. Most of the directors have served on the executive at the provincial level.

I believe it is necessary to have competition between insurance companies and insurance agents. It is nice to have two or three agents in a town with whom one can discuss insurance problems, but since we already have 3,000 to 4,000 insurance companies in existence I do not see the necessity for additional competition by increasing their number. Members of this party have been unable to find out from any reliable source whether there is any necessity for creating new insurance companies.

One problem which has arisen in connection with this bill was discussed in committee today, when the answer was given that incorporation was arrived at by the use of the legal term "deemed to be a company." In this case we are establishing a company which has previously operated under provincial jurisdiction. We can ascertain from the bill who the directors will be, what type of company they want to incorporate, what type of insurance they want to underwrite, and how much money they must raise before incorporation. Because it is a company that has been under the supervision of the inspector of insurance, that official has been able to tell us that its previous operations were proper and that it is the type of company that should receive incorporation.

This company will assume the responsibilities of the provincially incorporated company, and in effect will be transferred from provincial to federal jurisdiction. I am sure many other companies will follow this path.

All hon. members have had the experience of going into an insurance agent's office and seeing the agent draw a form from a drawer containing 20 or 30 forms for various companies—possibly a hundred or, if he is fortunate enough, 3,000 forms representing all companies. It does not seem to make any difference which form he picks up. One agent told me he took the forms in rotation. Is this really competitive? Is there any difference if he picks out the first one or the seventh one so far as the cost of insuring property is concerned?

If you are seeking life insurance, does it make any difference whether you go to one agent or another and ask about the cost of term insurance, of endowment policies, or of sickness and accident insurance? I think there is no difference and no competition. There may be competition in other forms of insurance but the number of companies does not have much effect.

From checking with some of my colleagues from British Columbia I have discovered that the three major shareholders in this company are important members of a political party. They also have connections in a number of other operations. They were involved in setting up a sickness and accident insurance company which could have administered the federal health plan in that province, and considering the amount of money which such companies can provide for long-term mortgages I think this is worth investigating, because there might be a danger that such companies would decide to halt their normal investment in such an important part of our economy.

The other night I discussed with a number of people the problems raised by the needs test connected with the old age pension supplement, and the difficulties that arise in securing widows and veterans allowances. If a person has savings it is difficult to obtain these benefits. I told the people I met that it was becoming less and less advantageous to take out life insurance policies of the endowment nature, and that it would be very foolish for a young person today to take out a government annuity. For a person in the low income level to acquire sizeable savings may result in his eliminating himself from various social and welfare benefits.

• (6:40 p.m.)

I think there are many facets of the insurance business which warrant consideration. The major consideration should be the desire of the Canadian people not to incorporate insurance companies just for fun, but rather to incorporate insurance companies which will have in mind the welfare of the nation, because the large assets these companies have should be used for the public good. In my opinion, in a few years these assets will be transferred into an additional section of the Canada Pension Plan which will allow us to

insure for many things not now contemplated, and which will make it possible for the companies to provide the type of insurance money which is necessary for social capital in our nation.

The Toronto *Daily Star* discusses the report of the Carter royal commission report in relation to this matter. Although in my opinion this company does meet the criteria we have demanded, I think the Carter commission report in respect of insurance companies is something all members of parliament should give consideration to. I should like to quote from the editorial in the Toronto *Daily Star* of February 28, 1967:

> The life insurance industry is a sluggish giant.
>
> It consumes 30 per cent of the personal savings of Canadians, but is chronically reluctant to invest in the country's industrial growth. And the Carter royal commission has found that it is taking a virtually free ride on the backs of Canadian taxpayers.
>
> The commission's figures on life insurance companies are eye-popping. Here is an industry with $12 billion worth of assets which in 1964 took in $1.3 billion in premiums and $600 million net in investment income. It paid out $800 million in dividends and benefits—and just $2,000,000 in corporation income taxes.
>
> Foreign life insurance companies operating in Canada pay no taxes on their business income, since they are considered to have no shareholders' accounts in this country. But the favour is not reciprocated to Canadian life insurance firms operating abroad, which—on a comparable amount of business—paid foreign governments nearly $14 million in income taxes in 1964.
>
> Canadian mutual life insurance companies likewise get a free ride. They have no shareholders' accounts, since the policyholders have bought out the shareholders.
>
> The others managed to get their taxable income down to $5,000,000 in 1964, although the revenues of Canadian life companies exceeded expenditures by $90 million after increasing reserves to meet future claims. Hence that paltry $2,000,000 tax.
>
> The commission found that life insurance companies are being too generous with themselves in calculating actuarial reserves—the funds needed to pay policyholders' claims.
>
> They typically assume that their long-term investments will yield only 3 to 3.5 per cent, although their actual average yield has not dropped below 4 per cent in any 20-year period since 1900—and was almost 5.5 per cent in 1964.
>
> The Carter report favours setting a new, arbitrary rate for their investment yield—something over 4 per cent at present, although the precise rate would be worked out in discussions between the government and the industry.

Well, Mr. Chairman, I raise this only as an indication to members that the Carter commission which investigated the insurance companies operations in Canada was very concerned with the lack of what the Minister of Industry calls good Canadian corporate citizenship.

If they have a citizenship—and those which are controlled by Canadians ought to have—then obviously they are not meeting the criteria which I think even the Minister of Industry would indicate constitutes good corporate citizenship. It is interesting to note that a company of this nature will start out by amassing $600,000 and will build from that into an agency. I would think, if one would look down the list of names of the directors of this insurance company, he would find that any one of them could bring in $600,000. There are at least three millionaires on the executive. I do not think they would have any difficulty in transferring a few assets from one place to another in order to raise this amount of money.

This company will be worth some hundreds of millions of dollars in assets. How much of that will be used for the benefit of Canada and for the national good; how much of it will be used to establish competition, and how much of it will be used to see that some other company gives us insurance at rates cheaper than this company will? I think I can suggest that the answer is, not one red cent. There will be absolutely no competition in this field. All of this leads us to question whether there is any real difference in the company being owned by Canadians or by foreign investors. The answer is not yet known to me, although I think it is something to which I shall have to pay some attention, and to which I think other members of parliament will have to give some consideration.

I believe we will be guided to some extent by the remarks which have been made by persons such as the present Minister of Finance who has said in relation to banks that this large accumulation of money in the banking industry must be under the control of the Canadian people, because it is such an important factor in the economic development of our nation. These millions and billions of dollars—and the indication is that in 1964 it will amount to about $1.3 billion in premiums alone—would be available through the interlocking of insurance companies which are so important in the development of some facets of our economy. I do not think it is possible for us any longer to look the other way in respect of the chartering of these new companies under federal control when really in effect they do what they like with my money, and collectively with everyone else's, quite

often to the detriment of our national economy.

Several important aspects of this bill are a credit to the company, and while we see nothing particularly wrong with the bill I believe we should be looking at the over-all picture as it affects insurance companies. I believe if collectively we looked at the insurance industry we would see that we do not need more insurance companies, but that we need fewer, so that there would be some guarantee of competition in the industry, which I am sure is not going to result from the passage of this particular bill.

Clause agreed to.

Clauses 2 and 3 agreed to.

• (6:50 p.m.)

On clause 4—*Subscription and payment before general meeting.*

Mr. Howard: Mr. Chairman, in respect of clause 4 I agree with the hon. member for Timiskaming regarding the inadequacy of the $2,250. I do not believe the provisional directors should be allowed to call an annual general meeting after the subscription of $2,250. In this regard let me refer to another bill, S-28, the next one on the order paper.

The Chairman: Order, please. We are now considering clause 4. The hon. member's remarks relate to the subject matter of another bill. I suggest he confine his remarks to clause 4 of the bill now before us.

Mr. Howard: That is precisely what I was attempting to do, but I wanted to preface my amendment by a few explanatory remarks.

This bill refers to a $1 million capitalization and has a provision which allows the provisional directors to hold an annual general meeting after the subscription of $2,250. In this respect it is similar to Bill No. S-28. The difference between the two bills is the amount of the required subscription. In the one before us only $2,250 is required, whereas in Bill No. S-28 $500,000 is required. I suggest that there should be a subscription requirement of more than what this bill requires. Therefore I move:

That clause 4 be amended by deleting in lines 3 and 4 thereof the words "two thousand two hundred and fifty dollars" and by substituting therefor the words "five hundred thousand dollars".

Mr. Ryan: Mr. Chairman, I did not anticipate an amendment of this kind and I have no authority to accept it. Let me suggest to the committee that a provision requiring a $500,000 subscription before a general meeting could be held would be too restrictive. I suggest the amount is too high, and if we desire to continue with the free enterprise system a company would have great difficulty in getting started, if it were faced with such a requirement. The first general meeting is held mainly for the purpose of ratifying the by-laws and acts of the provisional directors and deciding upon the make-up of its policies. There should be sufficient money put up to show that they are in earnest, but the requirement of $500,000 is altogether inordinate. I ask hon. members of this committee to defeat the amendment on that basis.

Amendment (Mr. Howard) negatived: Yeas, 3; nays, 15.

Clause agreed to.

Clauses 5 to 9 inclusive agreed to.

Preamble agreed to.

Title agreed to.

Bill reported.

Mr. Deputy Speaker: When shall the bill be read a third time?

Mr. Peters: By leave, now.

Mr. Ryan (for Mr. Basford) moved the third reading of the bill.

Mr. Deputy Speaker: Is it the pleasure of the house to adopt the said motion?

Mr. Peters: On division.

Motion agreed to and bill read the third time on division.

ANNIVERSARY LIFE INSURANCE COMPANY

Mr. Eric A. Winkler (for Mr. Fairweather) moved the second reading of Bill No. S-28, to incorporate Anniversary Life Insurance Company.

• (7:00 p.m.)

Motion agreed to and bill read the second time.

Mr. Deputy Speaker: Pursuant to standing order 105, the said bill is referred to the standing committee on finance, trade and economic affairs.

Mr. Winkler: Mr. Speaker, I ask that we proceed with the bill through all the stages.

Mr. Deputy Speaker: I am advised by the Clerk of the House that it is not possible to proceed with the bill in committee of the whole. It would either have to be referred to

the standing committee on finance, trade and economic affairs or be allowed to stand at this stage of the proceedings.

Mr. Howard: Mr. Speaker, would you reconsider your view on this procedure? I recall distinctly that the house made a similar decision to the one requested by the hon. member for Grey-Bruce with respect to another bill, by giving unanimous consent to waiving the rule, after which it proceeded to consider the bill in committee of the whole and then proceeded, again by unanimous consent, to third reading of the bill.

I submit the fundamental rule is that the house is master of its rules, and if it decides by unanimous consent to waive the rules it should be able to do so. In fact it has done so on other occasions.

Mr. Deputy Speaker: Perhaps I should point out to the hon. member for Skeena that the difficulty with which we are faced here is not only a procedural matter but also a matter of finances. If the hon. member who is sponsoring the bill is prepared to declare to the house that the financial implications involved have been met, then perhaps the Chair will be able to withdraw its objection.

Mr. Winkler: Mr. Speaker, we agree to let it stand.

Mr. Deputy Speaker: Does the house agree to let the bill stand at this stage of proceedings?

Some hon. Members: Agreed.

Mr. Deputy Speaker: I am advised that there may be some difficulty in allowing the bill to stand at this stage. Since the second reading has been completed, there is no way in which the bill can be referred to on the order paper.

Mr. Winkler: Can we not allow it to remain on the order paper by unanimous consent?

Mr. Deputy Speaker: Since second reading of the bill has been completed it cannot remain on the order paper.

Mr. Howard: I suggest that it remain on the order paper at the head of the list under "special order—stand for reconsideration of the disposal of the committee stage of the bill". I think the house can proceed in this manner if it wishes to. This should not transgress the financial position of the company.

Mr. Deputy Speaker: I am advised that there is no procedure which would allow the bill to stand at this stage, as the bill must go to some committee after it has had second reading.

Mr. Winkler: I suggest that we should refer it to the committee on finance, trade and economic affairs.

Mr. Deputy Speaker: Pursuant to standing order 105, the said bill stands referred to the standing committee on finance, trade and economic affairs.

The hour for the consideration of private members business has now expired.

INCOME TAX ACT AMENDMENT

INCORPORATION OF PROVISIONS ANALOGOUS TO THOSE IN CANADIAN VESSEL CONSTRUCTION ASSISTANCE ACT

The house resumed consideration in committee of Bill No. C-259, to amend the Income Tax Act and to repeal the Canadian Vessel Construction Assistance Act—Mr. Sharp—Mr. Batten in the chair.

The Chairman: Pursuant to an order passed on Tuesday, February 28, I now leave the chair. The committee will resume at eight o'clock.

SITTING SUSPENDED

SITTING RESUMED

The committee resumed at 8 p.m.

The Chairman: When the committee rose, clause 21 of the bill was under consideration and clause 6 was allowed to stand.

Mr. Pennell: Mr. Chairman, I understand that Mr. Speaker may wish to make a very short announcement. I therefore move that the committee rise and report progress.

The Chairman: Shall I rise, report progress and ask leave to sit again later this day?

Some hon. Members: Agreed.

Progress reported.

• (8:10 p.m.)

HOUSE OF COMMONS

MOTION TO RELEASE FROM CUSTODY PERSON WHO THREW LEAFLETS FROM GALLERY

Mr. Speaker: As hon. members know, during the question period earlier today leaflets

were thrown from the general gallery to the floor of the chamber. Thanks to the alertness of the House of Commons protective staff, the offender was partially frustrated in his attempts and he was forthwith taken into custody. The individual identified himself as one John Richard Campbell of no fixed address.

Standing order 14 reads in part as follows:

> Any stranger admitted into any part of the house or gallery, who misconducts himself... shall be taken into custody by the Sergeant-at-Arms; and no person so taken into custody shall be discharged without the special order of the house.

I should now like to obtain directions from the house before proceeding further.

Hon. L. T. Pennell (Solicitor General): Mr. Speaker, first of all perhaps I might be permitted to commend the protective staff for their vigilance in this matter.

Then, I should like to move:

> That without prejudice to any later action that may be taken elsewhere, the person who identified himself as John Richard Campbell be forthwith discharged from the custody of the Sergeant-at-Arms.

Mr. Speaker: Does the house so order?

Some hon. Members: Agreed.

Mr. Speaker: It is so ordered.

The house will now resume the business interrupted a moment ago.

INCOME TAX ACT AMENDMENT

INCORPORATION OF PROVISIONS ANALOGOUS TO THOSE IN CANADIAN VESSEL CONSTRUCTION ASSISTANCE ACT

The house resumed consideration in committee of Bill No. C-259, to amend the Income Tax Act and to repeal the Canadian Vessel Construction Assistance Act—Mr. Sharp—Mr. Batten in the chair.

On clause 21—*Application for assignment of social insurance number.*

Mr. Olson: Mr. Chairman, when the committee was considering clause 21 of this bill last Tuesday I raised a question of the Minister of Finance concerning the manner in which these records would be handled by the computing system, so as to make certain that all of the information filed, such as the income tax returns that I presume will be stored by these electronic devices, is kept confidential in conformity with the law.

[Mr. Speaker.]

There are a number of problems involved here, Mr. Chairman. I am advised that there are a number of ways in which these electronic devices store this information which is fed to them. For example, I am told that these memory banks or storage devices are controlled by tapes, or by discs, or by drums. There are also other data cells which can store information. I am also advised, Mr. Chairman, that codes or labels are attached to the various files containing the information that goes into this data storage centre. I am advised that these data cells can in fact produce a formula in the form of a label, number, code, or whatever you want to call it, and this activates a device which by means of a track or a channel leads to what is called an address at which the records are located.

So far, Mr. Chairman, we have had no indication from the Minister of Finance whether this is the kind of system which will be used to make certain that the confidential information contained in the income tax files does not get into exactly the same place as, for example, information filed under the Canada Pension Plan, the Old Age Security Act, or other measures which require the use of these numbers for computing purposes.

For example, Mr. Chairman, we are aware that the number which the minister is insisting under clause 21 be attached to an individual's income tax return is exactly the same number as that used for his social security account. I have learned from talking to some university people who are knowledgeable in programming techniques and computing devices that if these files are not going to be used for comparison with files used for other purposes, then there is no advantage in retaining the same number for each file. Therefore I have to assume that the minister does intend that there be some advantage in retaining the same number.

I want to dissociate myself completely from the remarks made in this chamber the other evening by the hon. member for Battle River-Camrose, who suggested that there may be some socialist, communist or other sinister plot involved in the use of a social security number on income tax files. I accept the minister's statement wherein he said that this is done for administrative convenience. However, Mr. Chairman, the fact remains that under our income tax law, which I think is good law, information contained in income tax returns is confidential and cannot be revealed unless a court order is obtained. Even then, I suggest, it is very difficult for anyone

in the government or anybody else to get information from income tax files.

We now understand computers or electronic devices are going to store these files. If it is true that there is no advantage in having the same number on a person's income tax file as on his social security file, unless it is for purposes of comparison, then I would ask the minister why the same number is retained.

The hon. member for Winnipeg North Centre went on to make a great case that we have numbers attached to us for all sorts of purposes—drivers' licences, marriage certificates, and he even included the numbers on the various credit cards hon. members have. I am not opposed to a number being attached to income tax files. What I am concerned about is that we keep the same number, and therefore presumably the same file, for income tax purposes as for all other accounts in respect to social security.

Therefore, Mr. Chairman, I should like the minister to give the assurance that there is absolutely no intention of using information contained in these files for purposes of comparison with other files. If this is the intention, Mr. Chairman, the minister is violating the income tax law of this country, and I hope that he is not.

Along with this, Mr. Chairman, we must also be given the assurance—I think this we must demand—that the filing system is such that people seeking information by means of the social security number for purposes of old age security, the Canada Pension Plan and for other purposes, will not be able to gain access to information filed in income tax returns. As I say, the problem bothering me is the insistence of the minister on retaining the same number.

An other matter I want to raise is this. I understand a definite pattern is emerging in the assignation of social security numbers at the present time. In other words, by using various combinations of these nine numbers which form your social security number a great deal of information about a particular individual can be gleaned from the way the number is put together. That is what I have been told and I am prepared to verify that statement. This is why I should like to ask the minister whether there is some code or pattern which has been worked out in assigning numbers to various individuals.

• (8:20 p.m.)

Will there be any sequence to things when the applications arrive? Will these nine digits, these three groups of three numbers that have been assigned to individuals, be arranged in such a way that much information can be gleaned from their arrangement by computing devices? The people of Canada ought to know about this.

I do not suggest that there is anything wrong or sinister about this arrangement; but I do think the minister should answer questions which have been raised. Will these numbers be used in such a way that income tax files will no longer be confidential. Will that confidence be broken?

Mr. Sharp: Mr. Chairman, the hon. member for Medicine Hat has raised a legitimate question, one that I think the committee has every reason to seek reassurance about.

In the interval, since we were last discussing this bill, I have been in touch with officials of the Department of National Revenue and have asked them to assure me that the records of income of taxpayers are maintained as confidentially as they are required to be maintained, and that they are not available through any electronic devices or otherwise to people other than those concerned with the administration of the tax laws. I have this assurance; I will read what the deputy minister of national revenue has advised me. I then propose to discuss one or two questions raised by the hon. member.

The deputy minister of taxation for the Department of National Revenue advises me as follows:

> All of a taxpayer's data on the records and files of the taxation division are protected by the secrecy provisions of the Income Tax Act. Any requirement on taxpayers to obtain a social insurance number does not affect the confidentiality of his affairs or the secrecy rules which protect them.
>
> It is untrue to say that tax or other information obtained from any taxpayer would be passed to other departments of government for other purposes if that taxpayer obtains a social insurance number.

My understanding of the reason for having the same number is that it enables one to identify the taxpayer much more accurately than he otherwise might be identified, and that it saves a great deal of administrative trouble.

The social insurance number gives a continuity that is not otherwise available as to the identity of individuals. The hon. member has said he is concerned that, because the same department polices the Canada Pension Plan provisions and the Income Tax Act, and because the same number might be used, say, for the Canada Pension Plan as for income

tax purposes, persons other than authorized collectors may have access to income tax information. I can assure the hon. member that the fact that the same number is used has nothing to do with access to information. In other words an employee of the Department of National Revenue not concerned with the administration of income tax could not obtain information about a taxpayer's income simply because the taxpayer used with respect to his income tax the same number he used for the Canada Pension Plan.

I am afraid a sort of mythology has grown up around this subject. There would be no difference if instead of using numbers we could use names. If there is any concern about numbers, that concern ought to extend to names also. After all, we use identical names on different forms; why not use identical numbers, if it is the same person. The fact that information is now kept in machines does not, I am assured by officials to whom I have written and to whom I have talked, affect the availability of income tax information to anyone other than authorized persons.

Mr. Olson: I appreciate what the minister says, but he has not really answered the question. When these discs, drums, tapes or whatever they are, are used, will there be any cross-reference with respect to information. In other words, will the income tax information and other Department of National Revenue information be kept completely separate? Will the information to do with identical numbers be compared? If the information is not to be compared, identical numbers need not be used.

I am told that using identical numbers would mean a great deal of administrative convenience. Will the information to do with income tax be compared with other information? Will there be any cross-comparison of information on file? If not, I see no great advantage to having identical numbers.

Will the numbers be kept on the same discs, film, or tape, or will they be kept separately? Frankly I cannot accept the analogy the minister drew with respect to electronic files and other files. Surely information entering the Department of National Revenue, and being filed on its files, is not made available to other branches of the department. Information is kept physically separate. The question is, will information be separated in the department if income tax information and other information is listed under the same number and kept on the same tape.

[Mr. Sharp.]

Mr. Sharp: Mr. Chairman, I am no greater expert on these machines than is the hon. member for Medicine Hat, but I am assured that the files are kept quite separate and are not available to any officials other than those engaged in the collection of taxes. Indeed, the problem that he is concerned with would have arisen if the machines had been more ingenious and could read names as well as numbers. Unfortunately they cannot read names; as a result we have had to assign numbers. If names were capable of being distinguished by the machines we should not have had to resort to a numbers method. Some day perhaps machines will be able to distinguish groups of letters in such a way that we can do away altogether with numbers. We shall then have exactly the same problem that we now have. I can assure the hon. member that if this government is in office it will be as scrupulous as it has been in the past in maintaining inviolable the secrecy of the income tax return.

Mr. Olson: I have another question, Mr. Chairman. I understand that there will be a central data processing centre in which there will be stored computer memory banks. Can the minister assure me that none of these files will be compared by the machine, that the machines will not be programmed to compare, say, income tax files and other files that may be brought to some data processing centre?

• (8:30 p.m.)

Mr. Sharp: Even if all this data were to be processed on the same machines I could give an assurance that the information would not be available to any unauthorized persons. But it is my understanding that not even the same machines would be used. Special computers are being used by the Department of National Revenue and the department does not depend upon central computing devices.

Mr. MacInnis (Cape Breton South): The minister has told us why numbers are necessary. He told us that these machines can read only numbers, and that he wants to keep up to date. It is not the case that these machines can read only numbers. Is the minister aware that electronic computers are available which can work from the written word as well as from numbers? Only last night an authority from the Post Office Department stated that the department would avail itself of electronic computers capable of operating from the written word.

Mr. Sharp: I am very glad to have this information. The treasury is not sufficiently flush to afford one of these machines. Perhaps in due course we shall buy one, and then we can get rid of these numbers. In the meantime we have to rely on the equipment which is available and which operates on the basis of numbers only.

Mr. Ballard: I should like to add my protest to that of the hon. member for Medicine Hat about the use of computer numbers, the SIN numbers, as they have been called, in connection with income tax returns. One of the points the hon. member makes is that government income tax files will no longer be secret. But there is no confidentiality left in the revenue department. When the Income Tax Act was amended last July the traditional secrecy which existed between taxpayers and the department was removed.

I refer to section 133(4)(c) of that act which reads follows:

> An official or authorized person may communicate or allow to be communicated information obtained under this act, or allow inspection of or access to any book, record, writing, return or other document obtained by or on behalf of the Minister for the purposes of this Act, to or by any person otherwise legally entitled thereto.

The other day when the house was in committee I pointed out to the minister that income tax files had actually been taken from the department and used in a civil law case for the first time in Canada. This was made possible by the section of the act to which I have just referred. It is all very well for the minister to say that there is confidentiality within the department. But it no longer exists. As proof, we need only recall what took place a few weeks ago when we passed the old age security amending legislation. The officials administering that act can now call upon the director of taxation for information to be used to verify the returns filed by applicants for supplementary old age pensions.

These are two examples of opening the doors to the files of the income tax department. I suggest that if the doors can be opened for such reasons it will not be long before the records of the Department of National Revenue become an open book not only to other departments of government but to all the courts of the land.

In the case of Bazos *v.* Bazos which I cited the other night, the issue before the court concerned a will. I suggest that the type of court case into which income tax files can be injected will gradually broaden until we see these files brought into court in connection with divorce applications, and a whole variety of civil cases. I believe the hon. member for Medicine Hat has put forward a valid argument against the use of numbers. I will go further. He has based his argument upon the possibility that the records in the Department of National Revenue may no longer be secret. Unhappily, in my opinion, at this point of time they are no longer secret, despite the tradition of the past. I know this is a protest made in vain but I should nevertheless like to protest very strongly against the erosion of our traditional concept of confidentiality between the taxpayer and the department.

I believe the use of numbers opens the door to making this information which the government gathers available over a wide spectrum. As individual citizens of Canada we will find our affairs becoming an open book to the bureaucrats in the government. The minister should put his foot down at this point. It is not that we do not trust the present Minister of Finance; we often pass legislation in this house because we know that the Minister of Finance is a fine fellow. I think the present minister would do nothing to jeopardize the rights of the individual. But another minister of finance 20 or 30 years from now might dispose of this information in a far different way from that in which the present minister intends it to be used. We are just reaching the point where the lives of all the people of Canada will be laid bare for examination by every department of government, in fact by all the people in the land.

An hon. Member: Like "1984".

Mr. Kindt: There are parts of this clause which do not appeal to me. Only a year or two ago the subject of social security numbers was raised in the house. Questions were asked on the floor of the house. Ministers were pressed to say who would be required to obtain such numbers, and whether members of parliament would be required to obtain them. Hon. members were told at that time that no social security numbers were to be obtained by members of parliament or by certain other groups of people covered by the questions asked. Now all that is out the window. Under the provisions of clause 21 we have to obtain a social security number. Some bureaucrat, with the aid of the minister, is having this written into law. The explanatory notes state that such a number is necessary

"to facilitate the carrying out of the administrative responsibilities of the Department of National Revenue." Would the minister delineate these responsibilities?

• (8:40 p.m.)

I sympathize fully with the questions asked by the hon. member for Medicine Hat. They have not been completely answered. I also sympathize with the questions asked by the hon. member for Calgary South. The Department of National Revenue has always prided itself on the confidence with which it treats information given on income tax returns. The average citizen who fills out such a return is honest, but if he feels that due to the Minister of Finance and this bill the information he gives on his return will go here, there, and the other place, his loss of confidence will not be in the best interests of the minister, of the Department of National Revenue or of the country as a whole. It will certainly not be in the individual's own interests.

The minister has indicated that a number is not necessary to tie the Canada Pension Plan in with the Department of National Revenue. He has said that these are separate departments, but that only makes some of us wonder what are the functions of the Department of National Revenue which make it necessary for everybody in this dominion who fills out an income tax return to obtain a number and be known as a number.

Mr. Sharp: Mr. Chairman, I do not want to bore the committee by reading what I said on Tuesday as recorded at page 13597 of *Hansard* when I gave a fairly elaborate description of the reasons for this amendment. The hon. member will find that in *Hansard*, but may I say to him that the Department of National Revenue has two alternatives, either to assign a number to every taxpayer so that we can keep our income tax forms more efficiently and use computing devices, and to have a separate number for the Canada Pension Plan and other purposes, or to have only one number.

I would like to assure the hon. member that we are all going to have numbers. This is the essence of the modern world and the essence of the use of computers, other than those referred to by the hon. member for Cape Breton South, who spoke about some new developments that may come in due course. As a result of these developments he suggests we will not need to have numbers because machines will be able to read our names and identify us by our handwriting or by other methods. I can understand the hon. member's objection to numbers, but they are almost universal.

I gather that pretty soon we will all carry a number around with us. When we go in to shop we will order our groceries and put our numbers down, and the stores will debit our bank accounts. As a matter of fact, the hon. member for Winnipeg North Centre gave us a dozen examples of the way we are numbered today, and we are going to continue to be numbered in this way. It may not be a very desirable social phenomenon but it goes along with the use of machines.

I find it difficult to give any further explanation to the hon. member who has just spoken, other than the explanation I gave as recorded at pages 13597 and 13598 of *Hansard*. Perhaps I could remind him of that by reading one paragraph, or perhaps two, from what I said at that time.

Mr. Kindt: I wish you would.

Mr. Sharp:

Shortly after the Department of National Revenue developed its numbers system—

Not its numbers game.

—its numbers system the requirements of the Unemployment Insurance Commission and the advent of the Canada Pension Plan dictated the need for the design and implementation of a new and universal system of permanent unique numbers suitable for massive record keeping operations by electronic computers. The social insurance numbers system was the result. It now embraces over nine million members of the population.

To carry out its responsibilities for collecting Canada Pension Plan contributions and to ensure that contributors' records are accurately maintained, the Department of National Revenue must use these social security numbers and require that all contributors use them on the reporting forms required to administer the plan. Thus the department is now using one system of numbers for the identification of taxpayers and another for Canada Pension Plan contributors, most of whom are the same.

Indeed, Mr. Chairman, if one looks at last year's income tax returns, or perhaps the income tax returns that are being used now, it will be seen that the use of SIN numbers had been voluntary. You could include them or not, and most taxpayers did. There was no problem about it. They did not feel they were jeopardizing their civil rights or anything like that by filling in the social insurance number on the income tax return. They had no desire to conceal anything, and a very high proportion of taxpayers agreed that it made for administrative convenience if instead of the

Department of National Revenue having to give them another number they just used the number they already had for social insurance purposes. The purpose of this bill is to carry the matter a step forward by requiring everyone to put that number on the form.

As I have said, it is not going to give unauthorized people access to information about incomes. I have given that assurance and I give it without any qualifications whatever. I do believe, however, that it is more efficient, and I do not believe it in any way jeopardizes our freedoms or causes us to become more undifferentiated if we have numbers as well as names.

Mr. Kindt: The minister says it is a convenience to the department which handles income tax returns. Does it cut costs?

Mr. Sharp: Very substantially, Mr. Chairman, because instead of having two sets of numbers attached to the same people there is only one, and it makes for closer identification of the taxpayer as he moves about. One of the problems that the tax collection department has is that taxpayers move about the country, not only within the area in which they were formerly located but elsewhere. Now they carry their number with them and it is therefore possible to link the returns from year to year much more readily.

Mr. Kindt: Does the housewife of a husband who is a taxpayer need a social security number if she is not paying taxes and, second does she need such a number if she is paying taxes?

• (8:50 p.m.)

Mr. Sharp: Well, Mr. Chairman, I think the simple answer to this is that the only requirement in this bill is that which requires taxpayers to have numbers. We are concerned only about them.

Mr. Monteith: Mr. Chairman, the minister did not answer the question very distinctly. I think the simple answer is that if the wife is not earning and is not a taxpayer, then she does not have a number; but if she is working and is a taxpayer, then she has a number.

Mr. Sharp: Yes.

Mr. Monteith: There is a system of numbers now. I know that on my own tax return I am labelled "M-o-n-t-e", plus some number. Is that system to be done away with; will it be discarded?

Mr. Sharp: Yes. I also have a number like that. The intention will be to replace that linkage with the social insurance number.

Mr. Monteith: May I accuse the government of being somewhat wasteful in having gone through this system of numbering some years ago and now changing it again. A year or two ago, when we were talking about this system in respect, first of all, of unemployment insurance and then the Canada Pension Plan, we were against the numbering system. I think the hon. member for Winnipeg North Centre raised the point that it is the insidious way in which this has been done which disturbs us. Two years ago the answer was that there would not be anything like this, and here we are again.

I should like to ask a question which probably might not be considered relevant. However, I am interested in an answer. What is the legal position of a taxpayer who does not apply for a number and when he files his income tax return remits the stipulated fine with his income tax return?

Mr. Sharp: Mr. Chairman, the proposed new section provides that a person who files a return and has failed to show a social insurance number shall be deemed to have failed to complete the information as required by section 44 of the act. Section 44 of the act is the section which requires individuals to file returns in prescribed form and containing prescribed information. Section 55(3) of the act imposes a penalty for failure to complete the information required on a return. The subsection reads as follows:

> Every person who has failed to complete the information on a prescribed form as required by or pursuant to section 44 is, unless in the case of an individual the minister has waived it, liable to a penalty
>
> (a) of 1% of the tax payable under this part but, whether he is taxable or not, not less than $25 or more than $100, or
>
> (b) in the case of an individual, of such lesser amount as the minister may have fixed in respect of the specific failure.

Mr. Monteith: The minister has not quite answered my question. If the person should be subject to a $50 or $100 fine, according to the section and so on, and pays it when he files his income tax return, what is his situation? Some people have standards in this regard. They have certain rules by which they like to live; one of these is not to be a number. If they are willing in successive years to pay the fine when they file their tax return, what is their situation?

Mr. Sharp: One of my officials advises me that he can pay for his pride every year. I might point out one thing in this regard which I think is important. Since the new proposed section 103A invokes a civil penalty under the act, no criminal penalty can be invoked.

Mr. Monteith: He can stay out of jail.

Mr. Sharp: Yes. If he objects to having a number as well as a name, he can pay the fine every year and feel virtuous.

Mr. Kindt: If an individual—perhaps even myself or the minister—fails to file his income tax form until the last two or three days in April and for some reason or other forgets to inscribe his social security number, he would then be in default because his form was not complete and he would have to pay a penalty. What are the rules in this regard? I should like a specific answer to that question. While I am on my feet let me say that now we have this number business in addition to all the other detail that is on these income tax forms. They are so involved that one must hire a consultant to fill out the form, and pay this person a large sum of money. This is no laughing matter; it is a serious matter.

Mr. Monteith: I agree that it is not a laughing matter. That is the way in which I once earned my living.

Mr. Kindt: Yes; I did too. I used to earn a lot of money by filling out income tax returns, until I found that I could not make any more money out of it. People do not want to pay for that. They object to paying for anything of this kind, and strongly object to filling out forms. It is no laughing matter if you are going to be penalized because you did not put your security number on the form. I do not know what the minister is laughing about, but he would find out how these people feel if he would go out and listen to the opinions of some of those who are going to be asked to fill out these income tax forms. He thinks he is doing something here that the people will sanction, and he is making a joke of it.

Mr. Sharp: Mr. Chairman, I was not smiling at the remarks of the hon. gentleman. I was thinking about a story concerning a form filled out by an applicant in the civil service. The question on the form was, "Sex?", and the reply was "Yes". However, perhaps I can answer the question asked by the hon. member in this way: For example, if a taxpayer fails to sign his name on the form as taxpayers sometimes do, it is sent back with a polite request that the form be signed. No penalty is involved. If a taxpayer should forget to fill in his social insurance number, I am quite sure the officials would send the form back and ask him to fill it in. If he refused to do so, this would be the only circumstance in which there would be any penalty.

Mr. MacInnis (Cape Breton South): Mr. Chairman, a moment ago I brought to the attention of the minister the fact that the Post Office Department expect soon to have electronic computers that will read the name as well as the number. The minister seemed to have accepted this because he referred to the special cost of this type of equipment. I do not know how he could have any knowledge that it would cost more money to have a computer that can remember a name rather than a series of numbers. However, immediately thereafter the minister went back to his theme about why it was necessary to have numbers. He seemed to disregard the fact that the Post Office Department expects to have these electronic computers that will read the name. It appears, Mr. Chairman, that the minister apparently is not listening. I may be wasting my time.

Mr. Kindt: He never listens to anything; he laughs.

Mr. MacInnis (Cape Breton South): The fact remains, however, that if there are these electronic computers which can read the name, then the argument the minister uses about a computer, and the numbers, is not necessarily a proper argument. I should like to call attention to the fact that when he apparently accepted my argument in the first place, he seemed to refer to the cost of these machines. Let me again emphasize how much it would cost to instal electronic computers. The Department of National Revenue has indicated that this equipment can be made available, and I suggest that the minister responsible should look into the possibility of installing this type of a computer system, but such a system should not be installed until it is found to be of economic advantage.

• (9:00 p.m.)

Mr. Sharp: Mr. Chairman, the government is always interested in finding ways of cutting down on expenses. If machines are developed that can distinguish between names and numbers I am sure the government will take advantage of them.

Mr. MacInnis (Cape Breton South): Mr. Chairman, I should like to ask the minister another question. Apparently he has some doubt about the suggestion that this type of equipment is available. Perhaps he will refer to the national news of Tuesday evening. Information was given to the effect that computers no longer depend on numbers but can now distinguish between names and numbers. Perhaps the minister would check on this information.

Mr. Herridge: Mr. Chairman, I should like to support the minister's contention that we in Canada have an objection to regimentation. I have had some experience in this regard in relation to applications for pension. I am inclined to agree with the minister when he suggests that it would be difficult to deal with numerous applications of this type, because of the number of names involved. Many people in this country have the same name, and as a result a great deal of confusion may exist with the use of computers.

Mr. MacInnis (Cape Breton South): Mr. Chairman, I agree with the hon. member who has just spoken in that names present a problem, but according to the latest information available computers no longer depend on names only, but can distinguish between names and addresses. Surely this could apply in respect of the Post Office Department just as it does in respect of Veterans Affairs.

Mr. Kindt: Mr. Chairman, there has been a great deal of criticism about the computerized income tax form. These complaints have been of a very general nature and undoubtedly the Minister of Finance is aware of them. If a mistake occurred in the income tax branch computer system, perhaps my pension would be tremendously increased and the minister's pension would be substantially decreased. Will the minister give us some indication of the situation which now exists in respect of the use of computers in departments concerned with finances?

Mr. Sharp: Mr. Chairman, a number of different types of computers is now available, but so far as income tax information is concerned taxpayers file returns and indicate their social insurance numbers. Sometimes these taxpayers inadvertently give the wrong number. This results in some confusion, and this confusion must be straightened out. However, no problem would exist in this regard because the accounts would be handled separately.

Mr. Kindt: Under those circumstances the error must be related to the taxpayer. For this reason some check of an internal nature in the Department of National Revenue must be made before any disposition is made of the funds collected.

Miss LaMarsh: Mr. Chairman, perhaps I can be of some help to the committee in this regard. This whole matter was one of the main subjects considered during our discussions. I think it was resolved by the fact that every two or three years all the documentation is copied and sent out.

The Chairman: Shall clause 21 carry?

Mr. Monteith: On division.

Clause agreed to.

On clause 22—*Appeal from order of direction.*

Mr. Ballard: Mr. Chairman, I should like again to raise the question with the minister in respect of the traditional concept of confidentiality in respect of income tax returns. There has always been an accepted principle that information passing from taxpayers to the Department of National Revenue shall be considered as confidential. While I realize that under certain circumstances some information must be circulated between departments the income taxpayer must be protected.

Recently our attention has been directed to security, and it has become apparent that certain information has been made available to the income tax department. It is obvious that this type of information must be circulated for the purposes of administrating the Canada Pension Plan and other government social security measures, but information collected by the income tax department should not be made available indiscriminantly. There is some valid apprehension about the exchange of information as a result of our present state of cybernetics. Very often, because of our methods of assessing taxes, we have allowed this traditional right to slip through our fingers.

• (9:10 p.m.)

It has always been the case that information on file with the director of taxation could be used in the case of a criminal court case but never in the case of a civil court case. Last year the door was opened when an amendment was made to section 133 of the Income Tax Act which allowed this information to be passed on to any authorized person or to

a person legally entitled to this information, without defining who were the persons legally entitled to receive the information. Last year we had the case of an Ontario court which called for an income tax file and had it read into the evidence in a civil court case. The amendment that we are considering tonight does nothing more than protect the civil servants involved in passing this file from the department to the court. I suggest to the minister that while it may be all well and good to protect the position of the civil servants involved, I think the minister should take this matter up with the Minister of National Revenue, who has had much experience with income tax matters, and should be aware of the concern that this developing situation is causing in the professions of law and accountancy.

While I cannot object strongly to the protection that this clause is affording civil servants, I do protest the fact that amendments were made last summer which opened the files in the taxation department to all and sundry. I urge the minister to confer with his colleague, the Minister of National Revenue, to bring in in the very near future an amendment to the Income Tax Act which would close this gap once again.

Mr. Sharp: Mr. Chairman, it was because of this case that the present clause 22 which we are considering is being brought forward. This amendment provides that the Minister of National Revenue or an official or authorized person, as defined in section 133 of the act, may appeal an order or direction made by a court to require the minister or official to give evidence or produce information relating to information received under the Income Tax Act. This amendment is considered necessary, due to a recent case in Ontario where, in the opinion of the Department of Justice, a judge was in error in requiring the Department of National Revenue to produce certain income tax returns.

It is of interest to note that in similar circumstances a judge in British Columbia held that the returns could not be produced in a civil case. I do not know what more we can do in parliament than to provide for an appeal, nor how we could define any more clearly than is defined in the law who is legally entitled to the information. If a judge says that somebody is legally entitled to it in a civil court case, then I think the best way to deal with that is to provide for an appeal from the ruling.

Mr. Monteith: May I ask the minister, with respect to the Ontario case to which he referred, whether the judge's decision was based on an amendment which was brought in last year?

Mr. Sharp: I am so informed, Mr. Chairman. I do not think that this is good law and I would like to think that if that decision had been appealed at that time the judgment would have been reversed.

Mr. Monteith: In that case, Mr. Chairman, may I offer a word of warning? The minister has agreed that this was not a good move at the time and he is suggesting that there should be an appeal by the Minister of National Revenue against such information being brought forward.

It seems to me this is an indication to us all that some of these laws are brought in by the bureaucratic service with a view to making things easier for them, without respect for the rights of private citizens. I think the minister has admitted it by bringing forth this amendment. I think it is a good lesson for all of us to watch what is happening in these amendments that come before us from time to time.

Mr. Bell (Carleton): The fault is with the minister and not the civil service.

Mr. Ballard: I thought the minister was going to reply, but failing that I will ask him a direct question. He will recall that, in the case to which both he and I referred, the court ruled that the civil servant involved would be absolved from any penalty under section 133 (4) (c). If this was the case, then why was this amendment necessary?

Mr. Sharp: As I understand the question of the hon. member, he asked why section 133 was amended. I myself was not personally involved in this and I depend upon the advice of my officials.

They believe it was amended for two reasons: first of all to tighten the law so as to make it quite clear that the information was only available to legally authorized persons. There was some doubt previously as to whether a former civil servant might not have had access to this information, so the amendment to section 133 removed that doubt. I gather it was also meant to enable the Department of National Revenue to provide the information to its own agents to be used in court cases.

I submit that the amendments to section 133 did not have any effect upon the availability of this information, and certainly that

was not the intention. That is why I believe that the ruling given by the judge was bad law. I do not know what more this parliament can do than authorize the Minister of National Revenue to intervene in cases, which formally he did not have an opportunity of doing, and appeal any ruling that requires the production of this information contrary to the intent of parliament.

Mr. Monteith: Mr. Chairman, I am certainly not opposed to the passing of this clause. All I am suggesting is that when the amendment was brought forward a year ago, greater regard should have been given to the general public, and this amending clause should have been brought in in conjunction with it at that time.

Mr. Sharp: May I suggest that at that time we did not have an adverse case and we never anticipated one. Since that time such a case has arisen and therefore we feel that this new procedure should be available to the government.

Clause agreed to.

Clause 23 agreed to.

On clause 24—*Amount paid in lieu of taxes.*

Mr. Bell (Saint John-Albert): Mr. Chairman, clause 24 repeals the old Canadian Vessel Construction Assistance Act and I want to say a few words about it. The minister has given us a brief history with respect to this act. Hon. members will remember that I was interested in this matter on a previous occasion. The minister undertook to consult the industry about some proposals that he had in mind at that time. This has been done. He did not say exactly what the attitude of the industry was, but he did say he had consulted them as he promised. To this extent, therefore some credit should be given to the minister.

• (9:20 p.m.)

I want the minister and his officials to listen to me, if they will, as I try to comprehend exactly what is taking place here, and so I can be certain there is a full understanding on the record. As I understand what the minister said, the old act to which I have just referred is being repealed. This is being done because of changes that the Minister of Transport mentioned on another occasion. We do not have, in my opinion, anything on the record to indicate why these changes are taking place. I do not believe the Minister of Transport gave any detailed explanation as to whether the old act is not working or what the reasons were. Perhaps the Minister of Transport is the one who should indicate this; but if the Minister of Finance has any idea as to why he is being given responsibility for this matter under the Income Tax Act, I would appreciate his explanation.

According to the minister, we are omitting certain provisions in the old act with respect to exemption from the recapture of capital cost allowances. I take it there has not been any substantial objection to this from the industry. We are incorporating now, under the provisions of this act in clauses 2, 3 and 5, the rapid depreciation provision. According to my interpretation, the major assistance that can be given to the industry will remain in the Income Tax Act and a great deal of the regulatory authority contained therein. I am no expert on the Income Tax Act, but I understand that under its regulations the minister would have considerable authority to regulate the so-called rapid depreciation provision. I think the minister should give some assurance to the house that if my interpretation is correct, if there were substantial changes of any nature in the regulations under the Income Tax Act, he would consult the industry again. So far as I know, the old act was quite successful and we did not receive any substantial criticism from the industry.

Neither the Minister of Transport nor the Minister of Finance has said why the old act was not working or why the changes are being made. However, the industry was consulted. We do not know that they are fully in favour of the change. The industry is now brought under these sweeping regulatory powers contained in the Income Tax Act. So I should like to have, and I think the house is entitled to it, an assurance from the minister that, first of all, my brief interpretation of what is taking place is substantially correct and, second, the minister's assurance that if any great changes are to take place under these regulatory powers the industry would be consulted again.

Mr. Sharp: Mr. Chairman, I think I can give the assurances the hon. member is requesting. Certainly I can give the assurance that if there are to be any changes in the regulations under the Income Tax Act, or anything of that kind, representations from the shipbuilding industry will be welcomed. I do not believe we should go out and seek them, but I am sure they will be forthcoming. In any event, since we are interested and I believe have a better method now of providing the kind of assistance that is desirable,

we will be in constant communication with the industry about the administration of the new shipbuilding program announced by the Minister of Transport.

Perhaps it would interest the hon. member to know that the principal change between the bill I introduced at the time of the budget in 1966 and the present bill is a provision concerning the time allowed for a taxpayer to take advantage of the exemption from taxable income now allowed for the recapture of capital cost allowance. We received representations on this, and as a result a modification will change the time limit for disposal of the vessel and disposal of the funds, which in Bill C-216 were 1970 and 1972 respectively, to the end of 1973 in both cases. This was one of the representations made to us and this was the modification made.

I do not believe it matters very much whether those provisions that were formerly in the special act, along with other provisions, are now being transferred into the Income Tax Act. I can assure him that whatever special allowances were made, they will be carried forward in that way, but the main part of the program now is to be found in a different form of assistance.

Mr. Bell (Saint John-Albert): In other words, the minister gave the industry at least part of what they desired so far as the first proposal was concerned. Without going into a great deal of income tax law, what are these regulatory powers that might be used under the Income Tax Act that did not exist under the old vessel construction act? I suppose it would be within the power of the minister to vary this depreciation?

Mr. Sharp: Yes, I can confirm what the hon. gentleman has said, the power to vary the rate of depreciation.

Mr. Bell (Saint John-Albert): I guess that is all I want to know. I do not apologize for taking time on this matter because, as hon. members know, I am one who feels there is not enough attention paid here or in country generally to anything related to the sea or shipbuilding. We need lots of measures to help build ships. We need lots of attention to a merchant fleet and to encouraging our young people to go to sea.

In another committee of this house, which is probably sitting tonight, the government is wiping out one of the great heritages of this country. They are wiping out the navy and all that it stands for. The results of this action will bulge out in other ways. No matter how powerful this government is, they still have to face up to the fact we are a seafaring nation with the largest coastline in the world. Although landlubbers exist in central Canada, there has to be some attention paid to the sea, not only because of our heritage but because of the food that comes from the sea, and for the protection of our great country. I only hope, and it is a fervent hope, that now the minister has authority for this measure that will assist shipbuilding in the country, he will forget his central Canada, landlubber background and show a little discretion and leniency to the shipbuilding industry by giving them tax exemptions and the like.

• (9:30 p.m.)

[*Translation*]

Mr. Guay: Mr. Chairman, following the question or the intervention of the hon. member for Saint John-Albert (Mr. Bell), I understand that this change will not affect the shipbuilding industry and that the government will make every effort to maintain the situation now existing in Canadian shipyards.

[*English*]

Mr. Sharp: Mr. Chairman, I can assure the hon. gentleman that the changes we are now approving do not alter in any way the government's policy toward the encouragment of shipbuilding.

Clause agreed to.

The Chairman: The committee will now revert to clause 6.

On clause 6—

The Chairman: When this clause was stood the hon. member for Medicine Hat had moved an amendment. The amendment was not read by the chair, and if the hon. member wishes to proceed with his amendment I shall do so now.

Mr. Olson: Yes, Mr. Chairman.

The Chairman: Moved by the hon. member for Medicine Hat:

That Bill C-259 be amended as follows:
"That the word 'complete' be deleted from clause 6, subclause (1), section (viii) where it appears in lines 4, 8 and 9 on page 9".

Mr. Olson: Mr. Chairman, I moved this amendment because it seemed to me that under the present wording a person was authorized to deduct under the terms of the Income Tax Act the cost of a denture constructed or provided by a dental mechanic or technician, only if it were a complete upper or complete lower denture. I believe that the Minister of Finance is ready to accept this amendment, so

I will not repeat the arguments I advanced the other day.

Mr. Sharp: Mr. Chairman, I can confirm that the government is ready to accept this amendment.

Amendment agreed to.

Clause as amended agreed to.

Title agreed to.

The Chairman: Shall I report the bill?

Some hon. Members: On division.

Bill reported.

Mr. Deputy Speaker: When shall the bill be read the third time?

Mr. Monteith: Next sitting of this house.

Mr. Lewis: By leave, now.

Mr. Deputy Speaker: Perhaps I should point out to the house that the order for third reading of the bill does not carry with it the order to reprint the bill. If it is the wish of the house to have the bill reprinted, an order of the house can be made now. Is it agreed that the bill be reprinted?

Some hon. Members: Agreed.

Mr. Deputy Speaker: It is so ordered.

FINANCE

PROVISION FOR FEDERAL PAYMENTS TO PROVINCES

Hon. Mitchell Sharp (Minister of Finance) moved that the house go into committee to consider the following resolution:

That it is expedient to introduce a measure to provide for the payment to provinces out of the Consolidated Revenue Fund, for each fiscal year in the period commencing on the first day of April, 1967 and ending on the 31st day of March, 1972, of provincial revenue equalization payments and post-secondary education adjustment payments, and for each fiscal year commencing on or after the first day of April, 1967, of provincial revenue stabilization payments and succession duty payments; to authorize tax collection agreements with provinces and to amend the Established Programs (Interim Arrangements) Act to extend for an additional three years the interim period relating to the health grants program.

Motion agreed to and the house went into committee, Mr. Batten in the chair.

Mr. Sharp: Mr. Chairman, this resolution and the bill which it seeks permission to introduce are the outcome of extensive discussions with the provinces. These discussions took place in the tax structure committee, on which the federal and provincial governments were represented by their ministers of finance or provincial treasurers, and culminated in the federal-provincial conference of October last.

I reported to the house on October 31 on the several proposals made to the provinces by the federal government at that conference. Major changes were proposed in the following fields: the occupancy of tax fields or tax sharing; provincial revenue equalization arrangements; provincial revenue stabilization arrangements; federal financial assistance in respect of post-secondary education; a new form of federal compensation to the provinces in respect of well established shared cost programs in the health and welfare field; and finally, a new federal program for the occupational training of adults in lieu of the technical and vocational training agreements which expire on March 31 this year.

My colleague the Minister of Manpower and Immigration has given notice that he will shortly be asking permission of this committee to introduce legislation to carry out the federal government's undertaking in respect of adult occupational training. The resolution now being considered seeks permission to introduce legislation to give effect to a new set of fiscal arrangements between Canada and the provinces in accordance with the government's undertakings at the October conference.

In presenting the federal proposals to the tax structure committee last September I suggested certain principles by which I believed that committee should be guided in the development of federal-provincial fiscal arrangements, consistent with the federalism of the future. For the information of this committee I should like to read these principles from my remarks to the tax structure committee:

First, the fiscal arrangements should give both the federal and provincial governments access to fiscal resources sufficient to discharge their responsibilities under the constitution.

Second, they should provide that each government should be accountable to its own electors for its taxing and spending decisions and should make these decisions with due regard for their effect on other governments.

Third, the fiscal arrangements should, through a system of equalization grants, enable each province to provide an adequate level of public services without resort to rates of taxation substantially higher than those of other provinces.

Fourth, they should give to the federal government sufficient fiscal power to discharge its economic and monetary responsibilities, as well as to pay its bills. In particular, they should retain for the federal government a sufficient part of the income tax field in all provinces—both personal and corporate—to enable it to use variations in the weight and form of that tax for economic purposes and to achieve a reasonable degree of equity in the incidence of taxation across Canada.

Fifth, they should lead to uniform intergovernmental arrangements and the uniform application of federal laws in all provinces.

Sixth, the fiscal arrangements should seek to provide machinery for harmonizing the policies and the priorities of the federal and provincial governments.

These principles underlie the proposals contained in the legislation which the resolution now under consideration seeks permission to introduce. Before proceeding to a discussion of the terms of the resolution, I would like to review very briefly the major fiscal proposals put forward by the federal government at the federal-provincial conference of last October.

• (9:40 p.m.)

On tax sharing or, more accurately, the use of tax fields by the federal, provincial and municipal governments, we maintained that so long as provincial governments had access to sufficient tax fields and so long as provincial revenues were equalized fairly, the provinces should impose their own taxes to finance their own programs. Only when parliament was prepared to acknowledge the exceptional priority of some provincial programs of expenditures should the federal government recommend that taxes should be imposed or federal expenditures reduced for the purpose of financing a federal contribution toward provincial expenditures. Since the priority of expenditures for higher education is now well recognized the federal government undertook to ask parliament to abate or reduce the federal income by four additional percentage points of personal income tax and one additional percentage point of corporate profits. This would enable the provincial governments to take up the extra tax room by making corresponding increases in their income taxes to help meet the rising costs of higher education.

An amendment to the Income Tax Act authorizing these tax abatements is now before the house. Thus the general abatement of the federal individual income tax will be increased from 24 to 28 percentage points and the abatement of the federal corporation income tax will be increased from 9 to 10 per cent of corporate profits.

Mr. Douglas: I do not like to interrupt the minister, but at some point will he tell us what the net gain or loss will be to the provinces by virtue of the government's discontinuing these payments to the universities? What is the net figure that the government has been paying out, and what will the abatement mean to the provinces with respect to higher education? If the minister has not that information now, perhaps he could give it to the committee at some later time?

Mr. Sharp: I do not think that in my relatively short presentation on this occasion I can give this information. I shall be happy to let the hon. member have it when the bill is before us.

The federal offer to the provinces to help them finance the rising costs of post-secondary education goes beyond this tax transfer. It includes equalization payments associated with the revenue derived from these additional tax points, together with special adjustment payments to each province which will bring the total value of the fiscal transfer to $15 per capita or 50 per cent of post-secondary education operating expenditures. My colleague, the Secretary of State, will speak to this aspect of the proposed fiscal arrangements with the provinces.

As to the equalization of provincial revenues, a central feature of federal-provincial fiscal arrangements since 1956, a fundamental reform was proposed. The plan put to the provinces—and which is provided for in the bill to be introduced upon the passage of this resolution—is designed to ensure that all provinces, regardless of their fiscal circumstances, will be able through a redistribution of Canada's wealth to provide their citizens a reasonably comparable level of basic services without having to resort to unduly burdensome levels of taxation. Instead of selecting certain taxes at given or standard rates and equalizing their yield to the level of the top two provinces, the proposed formula will take into account all provincial revenues, at average provincial rates, and will bring the revenue yield in all provinces up to the national average yield. Thus any province in which average provincial tax rates would yield less revenue per capita than the yield of provincial tax rates in Canada as a whole will be

entitled to an equalization payment equal to this per capita deficiency.

I do not propose to take the time of the committee to provide a detailed explanation of the mechanics of determining the amount of equalization payable to a province under this formula. This might best be left to the clause by clause committee discussion which will follow second reading of the bill. However, to assist the hon. members to understand the formula, I would like the permission of this committee to place two tables in *Hansard*. The first table shows the provincial revenues in 16 classes which are to be taken into account; the revenue base associated with each revenue class and, the amount of each revenue base by province and for all provinces as a whole. The second table illustrates the manner of determining the equalization payable. The mechanics of the determination are shown in detail for four provincial revenue sources and in summary for the other 12.

May I have permission to have these tables inserted in *Hansard*?

Some hon. Members: Agreed.

The Chairman: Does the committee agree to have these tables printed in *Hansard*?

Some hon. Members: Agreed.

[*Editor's note: The tables referred to above are as follows:*]

[The Chairman.]

TABLE I

REVENUE SOURCES AND REVENUE BASES

Revenue Source	Revenue Base	Units	1964 Revenue Base by Province										
			Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Total
1. Personal Income Tax	Assessed Federal Individual Income Tax (Excluding OAS)	($'000)	19,238	3,808	43,426	29,954	515,140	930,876	83,494	73,462	133,558	226,510	2,059,466
2. Corporation Income Tax	Allocated Corporation Taxable Income (excluding non-resident-owned investment corporations and schedule D Crown corporations)	($'000)	82,668	7,935	74,900	66,942	1,114,861	1,843,213	186,856	126,967	281,423	467,069	4,252,834
3. Succession Duty or Share of Federal Estate Tax	Gross Federal Succession Duty and Estate Tax Assessments on Domiciled Estates; (three year average)	($'000)	996	202	2,338	2,832	39,644	59,491	3,741	2,383	5,822	13,344	130,793
4. General Sales Tax	Total Retail Sales less $350 per capita plus value of construction materials	($'000)	237,051	71,030	507,038	389,609	4,197,983	6,238,415	777,564	839,124	1,419,347	1,807,252	16,484,413(1)
5. Motor Fuel Tax	Total "Net Sales" of gasoline and diesel fuel	('000 gals.)	48,168	21,171	117,094	85,831	980,276	1,515,739	194,393	227,405	334,625	372,616	3,897,318
6. Motor Vehicle Revenues	Total "Net Sales" of gasoline and diesel fuel	('000 gals.)	48,168	21,171	117,094	85,831	980,276	1,515,739	194,393	227,405	334,625	372,616	3,897,318
7. Alcoholic Beverage Revenues	Gallons of Spirits and Beer Sold (Spirits weighted by 25; beer by one)	('000 gals.)	10,493	4,621	32,100	25,571	218,167	387,721	46,267	42,517	70,004	114,131	951,592
Natural Resources Revenues													
8. Forestry	Gross Volume of Production	('000 cu. ft.)	89,027	6,045	84,176	198,252	913,542	535,082	36,836	38,319	133,472	1,621,649	3,656,400(2)
9. Oil Royalties	Gross Value of Production	($'000)	—	—	—	7	—	4,014	10,297	186,172	450,187	23,262	673,939
10. Natural Gas Royalties	Gross Value of Production	($'000)	—	—	—	112	—	5,760	—	4,161	149,595	13,325	172,953

11.	Sales of Crown leases, etc. on oil and gas lands	Revenues (5 yr. average)...	($'000)	—	—	—	—	—	—	7,372	83,552	9,547	100,471
12.	Other Oil and Gas Revenues	Revenues.....	($'000)	—	—	—	—	—	139	7,724	52,886	11,618	72,367
13.	Metallic and Non-Metallic Mineral Revenues	Net Value Added.....	($'000)	59,142	—	10,138	2,425	281,397	342,728	21,251	49,855	1,267	93,032	861,235(3)
14.	Water Power Rentals.	Kilowatt hours generated by hydro-electric plants	(millions k.w.h.)	2,295	—	722	1,024	56,362	30,186	4,801	1,369	896	15,480	113,135
15.	Other Provincial Taxes.	Personal plus Business Income	($ millions)	837	170	1,367	1,054	13,154	20,913	2,459	2,122	3,676	5,422	51,174
16.	Miscellaneous Provincial Revenues	Personal plus Business Income	($ millions)	837	170	1,367	1,054	13,154	20,913	2,459	2,122	3,676	5,422	51,174

(1) Retail sales data for 1964 have been adjusted to take into account recent changes in the D.B.S. concept of retail sales.
(2) 1963 is the latest year for which data is available.
(3) 1962 is the latest year for which data is available.

SOURCES: Dept. of Finance and D.B.S.

[The Chairman.]

TABLE II

ESTIMATED GENERAL EQUALIZATION 1966-67 ILLUSTRATING FOR SELECTED REVENUE SOURCES THE MANNER OF DETERMINING THE ENTITLEMENT OF THE PROVINCES TO GENERAL EQUALIZATION

		Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Total
1. Population	(000)	503	108	759	626	5,733	6,868	959	953	1,459	1,850	19,818
2. Personal Income Tax												
(a) Provincial Revenue	($'000)											846,154
(b) Revenue Base	($'000)	19,238	3,808	43,426	29,954	515,140	930,876	83,494	73,462	133,558	226,510	2,059,466
(c) National Average Provincial Revenue Rate	$											.410861
(d) Yield at Nat. Avg. Prov. Revenue Rate	($'000)	7,904	1,565	17,842	12,307	211,651	382,460	34,304	30,183	54,874	93,064	846,154
3. Corporation Income Tax												
(a) Provincial Revenue[1]												545,936
(b) Revenue Base	($'000)	82,668	7,935	74,900	66,942	1,114,861	1,843,213	186,856	126,967	281,423	467,069	4,252,834
(c) National Average Provincial Revenue Rate	$											.128370
(d) Yield at Nat. Avg. Prov. Revenue Rate	($'000)	10,612	1,019	9,615	8,593	143,115	236,612	23,987	16,299	36,126	59,958	545,936
4. Alcoholic Beverage Revenues												
(a) Provincial Revenue[1]	($'000)											362,989
(b) Revenue Base	('000 gals.)	10,493	4,621	32,100	25,571	218,167	387,721	46,267	42,517	70,004	114,131	951,592
(c) National Average Provincial Revenue Rate	($ per gal.)											.38145
(d) Yield at Nat. Avg. Prov. Revenue Rate	($'000)	5,003	1,763	12,245	9,754	83,221	147,897	17,649	16,218	26,703	43,536	362,989
5. Oil Royalties												
(a) Provincial Revenue[1]	($'000)											76,319
(b) Revenue Base	($'000)	—	—	—	7	—	4,014	10,297	186,172	450,187	23,262	673,939
(c) National Average Provincial Revenue Rate	$											.113243
(d) Yield at Nat. Avg. Prov. Revenue Rate	($'000)	—	—	—	1	—	455	1,166	21,083	50,980	2,634	76,319

TABLE II (Concluded)

ESTIMATED GENERAL EQUALIZATION 1966-67 ILLUSTRATING FOR SELECTED REVENUE SOURCES THE MANNER OF DETERMINING THE ENTITLEMENT OF THE PROVINCES TO GENERAL EQUALIZATION

		Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Total
6. Yield at National Average Province Revenue Rate for the other 12 revenue sources												
(a) Succession Duties and Shares of Estate Tax	($'000)	1,108	225	2,602	3,152	44,120	66,210	4,163	2,652	6,479	14,851	145,562
(b) General Sales Tax	($'000)	15,546	4,658	33,252	25,551	275,311	409,130	50,994	55,031	93,083	118,523	1,081,079
(c) Motor Fuel Tax	($'000)	9,017	3,963	21,921	16,068	183,512	283,755	36,391	42,571	62,643	69,755	729,596
(d) Motor Vehicle Revenues	($'000)	2,879	1,265	6,998	5,129	58,581	90,580	11,617	13,590	19,997	22,267	232,903
(e) Forestry Revenues	($'000)	2,406	163	2,275	5,358	24,689	14,461	996	1,036	3,607	43,826	98,817
(f) Natural Gas Royalties	($'000)	—	—	—	13	—	681	—	492	17,686	1,576	20,448
(g) Sales of Crown Leases and Reservations on oil and natural gas lands	($'000)	—	—	—	—	—	—	—	7,372	83,552	9,547	100,471
(h) Other Oil and Gas Revenues	($'000)	—	—	—	—	—	—	139	7,724	52,886	11,618	72,367
(i) Metallic and Non-Metallic Minerals	($'000)	3,923	—	672	161	18,664	22,731	1,410	3,307	84	6,171	57,123
(j) Water power rentals	($'000)	765	—	241	341	18,785	10,060	1,600	456	299	5,159	37,706
(k) Other Provincial Taxes	($'000)	7,122	1,446	11,631	8,968	111,923	177,941	20,923	18,055	31,278	46,134	435,421
(l) Miscellaneous Provincial Revenues	($'000)	3,999	812	6,531	5,036	62,848	99,920	11,749	10,139	17,563	25,906	244,503
7. Total Yield at National Average Provincial Revenue Rates:												
(a) For all revenue sources	($'000)	69,284	16,879	125,825	100,432	1,236,420	1,942,893	217,088	246,208	557,840	574,525	5,087,394
(b) Per capita	$	137.74	156.29	165.78	160.43	215.67	282.89	226.37	258.35	382.34	310.55	256.71
8. General Equalization												
(a) Deficiency per capita from per capita average for all provinces ($256.71)	$	118.97	100.42	90.93	96.28	41.04	—	30.34	—	—	—	
(b) General Equalization Applicable	($'000)	59,842	10,845	69,016	60,271	235,282	—	29,096	—	—	—	464,352
9. Guaranteed Equalization Atlantic Provinces and Saskatchewan	($'000)	48,159	14,071	60,672	55,228	—	—	—	26,438	—	—	204,568
10. Equalization Payment (higher of 8(b) or 9)	($'000)	59,842	14,071	69,016	60,271	235,282	—	29,096	26,438	—	—	494,016
11. Equalization and Atlantic Provinces Adjustment Grants payable in 1966-67 under present legislation	($'000)	37,659	10,571	50,172	44,728	150,378	—	27,657	33,047	—	—	354,212

(1) Sources: Provincial Budget Estimates and Department of Finance.

Mr. Sharp: Another important element in the proposed fiscal arrangements with the provinces is the undertaking to place a floor under provincial revenues. The provinces have, from time to time, expressed concern over the vulnerability of their revenues to changes in the economic climate. The provinces have argued that in periods of recession when revenues are falling, the costs of provincial responsibilities continue to rise. To the relentless rise in education, health and welfare costs would be added the additional financial burdens occasioned by the recession. The federal government, in the past, has gone part way to alleviate this provincial anxiety for certain provinces, by undertaking to stabilize the equalization payments and standard taxes. Thus the federal government, in the present fiscal arrangements act, undertook for the five-year duration of the arrangements to pay a provincial revenue stabilization payment to a province whenever the amount of that province's three standard taxes and equalization payment fell below 95 per cent of the average of the same taxes and payment for the preceding two fiscal years. The federal government now proposes to extend this stabilization to all provincial revenues and it proposes to remove the five-year limit which has applied to the stabilization provision as well as to the equalization provisions. Stabilization is to be provided on a continuing basis as a protection to the provinces against sharp declines in revenues.

Mr. Douglas: At what percentage?

Mr. Sharp: At 95 per cent. A province will be entitled to stabilization payments when its net general revenues for a fiscal year fall below 95 per cent of the province's net general revenues for the immediately preceding year. In order that the years shall be comparable, the net general revenues for the fiscal year will have to be adjusted to eliminate the effects of changes in provincial taxes and tax rates between years. It will also be necessary to adjust for the effect of revenue windfalls that are characteristic of such revenue sources as succession duties and oil and gas lease sales, as well as for tax revenues accruing to a province because of arrangements between Canada and a province which are not of general application. An example is the federal tax abatements to Quebec under the "contracting-out" arrangements.

Finally, a major proposal was also made to the provinces in respect of the continuing and well-established programs in the field of health and welfare. This offer was designed to enable the provinces ultimately to assume full responsibility for such programs thus bringing to an end the cumulative and continuing influence on provincial decision-making resulting from these major established programs. In return for the assumption of full financial responsibility for hospital insurance, the Canada Assistance Plan and the continuing portion of the health grants, the provinces were offered 17 points of the individual income tax with associated equalization and an adjustment payment or special program equalization grant which would bring each province's annual compensation up to the amount to which it was entitled under the shared-cost agreements involved. From 1970 the provinces would, if they chose, be relieved of the conditions attached to these shared-cost programs, and the adjustment payment or program equalization grant would from then on be escalated independently of program costs.

This was the federal offer in respect of shared-cost programs. It was not, of course, obligatory and because the main change of substance would not occur until 1970 I did not expect the provinces to accept the offer immediately. This in fact turned out to be the case. Consequently the arrangements with the province of Quebec covering these same programs, under the Established Programs (Interim Arrangements) Act, are to be continued, and it is necessary to extend the interim period applicable to the health grants program to March 31, 1970. The other programs are already covered to that date under the act.

That, Mr. Chairman, completes my brief review of the major changes proposed in the fiscal arrangements between the federal government and the provinces. The final element of the proposed arrangements contained no change: the federal government offered to extend for a further two years the tax collection agreements we have with nine of the ten provinces. Also the government proposes to continue the present arrangements for sharing the yield of the federal estate tax with the provinces.

My colleague, the Secretary of State, will speak to the proposed arrangements to help the provinces meet the rising costs of post-secondary education.

Mr. Douglas: Before the minister sits down may I ask him a couple of questions to help us study his statement and deal with the legislation when it is brought down? When

[The Chairman.]

the minister's predecessor brought down legislation relating to federal-provincial financing some two years ago he provided the house with tables showing comparative statistics, what provinces were getting under the existing agreement and what they could anticipate receiving under the new proposals. That made it easy to compare the relative advantages or disadvantages of the proposed legislation. Has the minister such tables? Could he undertake to obtain such tables before we deal with the bill on second reading?

Mr. Sharp: I had prepared such comparisons for the meetings of the tax structure committee. I shall have to see whether those must be brought up to date. I shall be happy to provide this kind of information to the house or to the committee.

• (9:50 p.m.)

Mr. Douglas: I should like to ask the minister whether he could give us some statistical data which would help us to understand the new proposal with respect to the financing of post-secondary education. First, what are the estimates of operating expenditures of institutions of post-secondary education on which the government has based its estimates of the costs of the fiscal transfer, categorized as follows: (i) total by provinces, and (ii) operating expenses of degree-granting universities, by provinces? The second question I should like to ask the minister is this: What are the estimates of population, by provinces, on which the government has based its estimates of the costs of the fiscal transfer? If we could get this information it would be useful to us in trying to make a proper assessment of the legislation.

Mr. Sharp: I understand that my colleague the Secretary of State is prepared to put her statement on the record now. It might help to answer some of these questions and so facilitate the work of the committee.

Miss LaMarsh: Mr. Chairman, I am pleased to have this opportunity to associate myself with the Minister of Finance in introducing this resolution relating the new federal-provincial fiscal arrangements. I should like to refer in particular to the measure which will be introduced under this resolution to provide for post-secondary education adjustment payments.

As indicated at the October federal-provincial conference, the federal government proposes to co-ordinate its general financial support of the two main sectors of post-secondary education—technical training and university education—under one program, and to make fiscal transfers to the provinces to assist them in meeting the fast rising costs of post-secondary education.

A word about the origin of these new proposals may be helpful to the committee.

Following publication of the Bladen report in 1965, the federal government acted immediately to increase the rate of the per capita university grants as an interim measure, pending a detailed review of policy and discussions with the provinces. The grants were increased for 1966-67 from $2 to $5 per capita, involving an increase in total allocations under the program from $40 million to $100 million.

The policy review subsequently undertaken was designed to take into account the fiscal needs of the provinces not only in relation to university financing, but the whole area of post-secondary education. Community college developments and the fast growth of technical training facilities called for such a comprehensive approach by the federal government, especially in view of the March 1967, termination date of those technical and vocational training agreements relating to training at the post-secondary level.

The government's desire in co-ordinating its future assistance to post-secondary education is to facilitate comprehensive planning on the part of the provinces, and of course to assist them financially in carrying their appropriate share of the extremely heavy cost burden created by the rapid expansion of all forms of post-secondary education.

The government proposes that the calculation of the amounts to be transferred be tied to the rising costs, so that its future contributions may be adequate and its future commitments known. In particular, the federal government proposes to transfer in total amounts the equivalent of whichever is greater in a given province: 50 per cent of its post-secondary operating costs, or $15 per head of population in 1967-68. These latter amounts will be increased in future years at the rate of increase in post-secondary education operating expenditures in all provinces in Canada.

The central concept in this plan is that the fiscal transfers will be calculated in relation to post-secondary operating expenditures only. The federal government considers this the only satisfactory measuring stick of rising education costs, and is prepared to increase its future transfers by the rate of increase in

these costs. I must stress, however, that it is the province which determines upon the allocation of these funds, and it will have to do so in the light of both the operating and capital requirements of post-secondary institutions. The funds transferred are calculated in relation to operating expenditures, but are intended for use in both the operating and capital areas.

In addition to the percentage formula, the government is advancing an alternative formula for calculation—a per capita calculation—for the simple reason that in some provinces the expenditures on post-secondary education have not grown at the same rate, and if the 50 per cent formula were to be applied these provinces would lose substantially, compared with what they had previously been receiving. Additional help was provided to these provinces, then, through a per capita payment.

These points highlight the essentials of the proposal. Reference made in the resolution now before the committee to "adjustment payments" relates to one aspect of the total transfers under this plan.

The first transfers will be effected in three ways. First, the government is proposing to abate four personal income tax points and one corporate income tax point to allow provinces to secure additional revenues without a corresponding increase in the burden of taxation on provincial taxpayers. A bill to amend the Income Tax Act has just been passed by this house and will provide for these abatements.

Second, an increase in the equalization payment is proposed, as the Minister of Finance has just indicated. The increase will relate to the increases in provincial income tax revenue attributable to the tax abatement.

Third, a cash transfer termed the "post-secondary education adjustment payment" will be made to make up the difference between the value of the tax abatement and equalization transfers and the greater of, in each province, 50 per cent of operating expenditures, or $15 per capita.

In detailing how the adjustment payment is to be calculated and on what conditions it may be paid to the provinces it has been necessary, of course, to formulate certain definitions of what, for the purposes of the plan, constitutes post-secondary education and what may comprise admissible operating expenditures.

[Miss LaMarsh.]

Perhaps a few words on these two difficult questions may be helpful, Mr. Chairman.

In connection with the definition of post-secondary education, it was necessary to indicate the academic level in each province we shall take as marking the transition from secondary to post-secondary education. Our solution to this problem, which is made so difficult through the considerable variances in practice from one province to another, is to stipulate that post-secondary educational programs are those requiring for entrance at least the equivalent of the academic level of junior matriculation. This has been discussed with the provinces, and agreement has been reached on the equity of the proposal.

With regard to operating expenditure, perhaps I need only explain that we have made every effort to follow in our definition those terms of expenditures which are regarded as operating by educational institutions, and we have attempted to secure a definition which so far as possible takes account of practices current in institutions across the country. The guiding principle in drawing the necessary definitions was the need to propose arrangements that would be equitable among all provinces, and this, we feel, has been achieved.

Mr. Chairman, I am sure I need not impress on the house either the crucial importance of this matter to the future of our country or the very difficult and complex problems posed in trying to deal with it. Having regard to these various factors, the government believes firmly that the proposals I have outlined meet the situation in the fairest and fullest way possible.

May I in conclusion, Mr. Chairman, call it ten o'clock?

Mr. Douglas: Do I take it the minister has concluded her remarks? Or does she intend to continue tomorrow?

Miss LaMarsh: I was concluding, unless there is something I think of overnight.

Mr. Douglas: I wanted to ask the minister whether we could have some comparative figures, in the form of a table if possible, setting out a comparison of the revenues paid to provinces under the present plan, $5 per head of the population, and the payments which will be made under the new proposal of tax abatement in each province, in lieu of the adjustment grant.

• (10:00 p.m.)

There is also the question I asked of the Minister of Finance a few moments ago. Has she some figures as to the basis on which the government is estimating the operating costs of the post-secondary educational institutions by provinces?

The Chairman: Shall the resolution carry?

Mr. Starr: Ten o'clock was called.

Progress reported.

BUSINESS OF THE HOUSE

Mr. Pennell: Mr. Speaker, for tomorrow's business it is proposed to call item 135 on tomorrow's order paper, continuing discussion of the resolution respecting federal-provincial fiscal arrangements; item 134 concerning occupational training for adults; item 63, Bill No. C-190, to amend the Bank of Canada Act; item 136, amendments to the Canada Corporation Act; item 74, the Bank Act, followed by item 75, the act respecting savings banks in the province of Quebec.

PROCEEDINGS ON ADJOURNMENT MOTION

A motion to adjourn the house under provisional standing order 39A deemed to have been moved.

HEALTH AND WELFARE—SMOKING—REPORTED C.B.C. STATEMENT BY STANLEY BURKE

Mr. Jack Roxburgh (Norfolk): Mr. Speaker, one night last week at the finish of the C.B.C. national news Mr. Stanley Burke made this announcement:

> The average Canadian smoked 14 cigarettes today; 32 died from respiratory diseases.

The inference was that these people who died from respiratory diseases died because they smoked cigarettes. As I understand it, Mr. Speaker, all news services in this country are supposed to promote factual news only and not unfounded insinuations.

Talking about unfounded insinuations brings to my mind a previous case in connection with the C.B.C. when it carried the program "This Hour Has Seven Days". The information given on that occasion was not only misleading and insinuating but was absolutely 100 per cent false. It was about the Italian government prohibiting the television advertising of foreign cigarettes. They did not do this because of the health aspect of it, or anything like that. The Italian government controls the tobacco industry in that country. Foreign cigarettes were beginning to have an influence on their tobacco industry. So, for three years, the televising of foreign cigarette advertising was prohibited. The information given over the C.B.C. on the program "This Hour Has Seven Days" was difficult to believe. They stated that cigarette smoking had dropped 30 per cent. Nothing could be further from the truth. The actual fact is that over this three-year period from 1961 to 1964 the consumption did not decrease but actually increased 13 per cent. This is up to date information I have been able to obtain from the foreign agricultural service of the United States Department of Agriculture.

In all fairness to the industry and to individual companies, I should like to say that if such innuendoes and suggestions are to be made on the national news, or any other program in our national broadcasting system, then this cannot help but affect not only the companies and the industry but also individuals as well.

I should like to remind hon. members that this same industry gave to the government this year in taxes $495 million, practically half a billion dollars. I feel very strongly that it is time that such innuendoes and statements should not be allowed on any C.B.C. program, let alone on the national news. Believe me, it is absolutely degrading to hear such innuendoes on our national news program. I cannot help repeating that it is on our national news program that we hear this and it certainly brings the C.B.C. down to a low level.

I was greatly surprised and, if I may say so, disappointed that a person of Mr. Burke's standing would allow such poppycock to be part of his national news programming. In all fairness to Mr. Burke I should say that I now understand he just reads the news. Perhaps that is the reason why, when he came to this quotation which he read over the national news, I noticed that his eye moved a little. Perhaps he was as surprised as some of the rest of us. I only hope that is a fact.

Before I conclude, I should like to say that at the present time the C.B.C. is like a ship without a rudder. We need some factual, solid businessman to run the C.B.C., not someone who is interested in shows or anything else. We did have the possibility of securing a terrific man. Whether or not he would have been foolish enought to accept the job, I do not know, but we lost that good man to private business. I am referring to Mr. Donald

Gordon—the type of man the C.B.C. needs. He would lay down the law. We need a businessman and a factual man.

In completing my remarks I just wish to say that no one blames the Secretary of State for these things. It is only through that department, under her jurisdiction, that we as backbenchers can bring these matters to the attention of the C.B.C. I hope the minister is sincere enough to make a special effort to see that this does not happen again. If it does happen again, I can assure hon. members of this house that Jack Roxburgh will be up on his feet every day in this house, protesting.

• (10:10 p.m.)

Mr. Albert Béchard (Parliamentary Secretary to Secretary of State): Mr. Speaker, I appreciate the concern and feelings of the hon. member for Norfolk. The last sentence spoken by Stanley Burke on the television newscast on Wednesday, February 22, 1967, was a little bit confusing. According to the information I have Mr. Burke's actual words were: "and finally the average Canadian smoker had 14 cigarettes today and across the nation 32 people died of respiratory diseases."

The figures in respect of deaths were taken from the Dominion Bureau of Statistics for the year ending December 31, 1965. The statistics relating to the average cigarette smoker were also taken from the Dominion Bureau of Statistics information respecting the estimated number of smokers. The breakdown is 26 deaths from respiratory diseases and six from cancer in relation to respiratory diseases. However, deaths from respiratory diseases are not necessarily related to the smoking of tobacco. However, as I said at the beginning of my remarks, the remarks televised by the C.B.C. gave that indication.

NATIONAL DEFENCE—NATO—POSSIBLE CHANGE IN CANADIAN MILITARY CONTRIBUTION

Mr. Andrew Brewin (Greenwood): Mr. Speaker, the United Kingdom white paper, which is more officially known as the statement on defence estimates, 1967, was issued recently and contained at page 5, paragraph 18, the following statement:

> The government hopes—

That is the United Kingdom government.

> The government hopes, that by the end of June, 1967, allied discussions on the revision of NATO strategy will have produced broad agreement on the size, composition, deployment and military role of the forces required and on a fairer sharing of the economic burdens they impose.

[Mr. Roxburgh.]

This statement has very important implications for the whole of Canadian defence and international policy. On Wednesday last I addressed a question to the Secretary of State for External Affairs or the Minister of National Defence as to whether the government of Canada had made any proposals to the other NATO governments with regard to the size, composition and military role of the Canadian contribution to NATO forces in the future.

Members of the house will know that Canadian defence efforts at the present time, and for a good many years past, have been concentrated on certain roles in NATO and NORAD. We are maintaining as a brigade group in Germany an air division, and the major task of our navy is an anti-submarine role in NATO. The brigade group and the air division are a relatively small but doubtless efficient contribution to the current NATO strategy of reliance on a massive tactical nuclear response to any active aggression in central Europe.

On January 13, 1963 the Prime Minister, in a famous speech at Scarborough, before his administration was elected to office and when he was leader of the opposition, said the following:

> The government should re-examine at once the whole basis of Canadian defence policy. In particular it should discuss with the United States and with NATO a role for Canada in continental and collective defence which would be more realistic and effective than the present one. Our financial resources are limited. Therefore we should be careful to see that our defence dollars are spent sensibly and economically avoiding commitments which require expensive equipment that is or soon will be obsolete, and the activities that are or soon will be meaningless.

Notwithstanding these words, more than four years later with the Liberal administration headed by the present Prime Minister in office for nearly all of these four years, there has been no change in the role. Despite diligent inquiry it has been impossible to discover whether the government has made any suggestions whatsoever as to a change in the role. Indeed if anything has emerged from the mist of obscurity in which these vital matters are generally enshrouded in this country, it would seem to have been Canadian policy to hold fast to the continuation of precisely these same roles. This indeed has been indicated by the famous defence white paper of 1964 which seems to be the sheet anchor of government defence policy. The policy was

reiterated recently by the Minister of National Defence (Mr. Hellyer) as the basis for his whole unification solution.

Nevertheless the whole military and political picture has changed in Europe. The roles now carried out by the Canadian forces are obviously obsolete. The British white paper reveals that in a few short months, indeed by the end of June, allied discussion on the revision of NATO strategy will have produced broad agreement on the size, composition and military roles of various nations. The British white paper clearly discussed the rationality of any threat of aggression in Europe and opted for a reduction in the forces of NATO to promote the detente in Europe.

We in this house and the Canadian public are entitled to know if the Canadian government has made any suggestions for a change or a reduction of its military role in NATO. What is the revised NATO strategy? Is it our policy to stick indefinitely to a policy and strategy which are now outworn? Does the government propose or does it not propose any changes? I seek a clear and definitive statement on the crucial issues that have apparently now been discussed by our allies, and I presume, by ourselves. Unless we are playing a role of passive acquiescence in decisions in which we have played no part, our whole discussion in the house on the issue of unification is quite meaningless if we are to be kept in the dark as to the crucial background to the whole problem of our defence, and our role in defence.

Mr. D. S. Macdonald (Parliamentary Secretary to Secretary of State for External Affairs): Mr. Speaker, may I point out, in response to the hon. member, that he has in effect answered his own question. He asked for a clear statement as to our future role and at the same time acknowledged that the NATO allies are in the middle of a discussion of that very question.

As he has pointed out, the passage in the U.K. white paper which he quoted indicates that the NATO countries are in the midst of a major review of the evolving nature of any threat to their security, the appropriate strategy in changing international conditions, and the appropriate force levels to carry out the strategy. The Canadian government has been participating actively in this review. When the review has been completed we shall be in a better position to consider whether changes in our contribution are warranted. A statement on this should at least await the conclusion of the review.

• (10:20 p.m.)

The nature of the future Canadian military commitment to NATO defence will also have to take into account the relevance of that commitment to collective defence and to the major political objectives of a peaceful settlement in Europe. Along with our allies we are watching carefully to see whether there are any prospects for achieving mutual reductions of forces of NATO and Warsaw pact countries. This is an approach which the Secretary of State for External Affairs (Mr. Martin) advocated before the NATO council last December.

[*Translation*]

HARBOURS—MONTREAL—STEPS TO DEAL WITH ALLEGED VANDALISM AND THEFT

Mr. Maurice Allard (Sherbrooke): Mr. Speaker, this afternoon, in the absence of the Minister of Transport (Mr. Pickersgill), I asked the Member of the Administration (Mr. Turner) the following question: "In view of the thefts and pilfering regularly occurring in the port of Montreal lately, is the minister in a position to check such depredations and damages, so as to ensure the success of Expo and avoid harming the international repute of Canada.

Mr. Speaker, my question is based more particularly on a report published in *La Presse*, of Montreal, on February 28 and entitled:

An importer has had enough of piracy and will no longer use the harbour of Montreal.

And the article began with these words:

At least one importing company has had enough of the piracy occurring in the port of Montreal and has made known his decision to henceforth use Canadian ports other than that of the metropolis.

And the article continues:

The manager, Mr. Georges Dupuis, wants to alert public opinion as concerns the plague affecting the port of Montreal.

He advised the mayor of Montreal, Mr. Jean Drapeau, in writing of the disastrous situation in which the shipping trade finds itself in Montreal. He also stated his grievances to the harbourmaster, Mr. Guy Beaudet, and he finally sent letters to the press.

The article goes on to say:

—goods, in this case, electric tools, are stolen from this firm every time shipments are sent by boat. Since those losses drain the profits, the firm now must have its shipments delivered through other Canadian ports and has instructed its suppliers in 80 different countries to forward the goods in the future via Toronto or Halifax, if not by air.

These are serious facts, Mr. Speaker, very serious protests indeed, indicating that an alarming situation exists. This is not the first time such complaints are voiced with respect to Montreal and other harbours. In view of the fact that these misdeeds are widespread and have been occurring more frequently, I suggest that the Department of Transport should investigate immediately.

This is the eve of World Fair celebrations, and a very great number of visitors to Expo will be entering Montreal harbour. A great many business concerns, not only Montreal firms but also those in the eastern townships and Sherbrooke, as well as in the immediate area, use Montreal harbour. Members of the Association du camionnage de l'Estrie told me recently that they had gone to Montreal harbour to pick up goods and found, when the got there, that they had been stolen, crates had been opened and others damaged. This had happened more than once.

I feel this is prejudicial to trade and could have an adverse effect on our international repute, in view of the World Fair held in Montreal. I wish to take advantage of this opportunity, Mr. Speaker, to point out very briefly to the hon. minister that the central government should take immediate action; this is important. In spite of the request of many hon. members during the present session, the government has either procrastinated or refused to appoint a royal commission of inquiry on organized crime. We know that several countries have launched such national investigations on organized crime and especially in the United States and in Italy, it has been discovered that the source of gangsterism could be found in the ports of those countries. In fact, it is through seaports that smuggling is done and this is why those networks of gangsters have connections and facilities there, either by bribing the port guards or by using any other methods liable to encourage such pilfering and misdeeds.

This is the reason why I would greatly appreciate it if the minister, by using his great persuasiveness, could convince his colleagues in the cabinet to consider seriously the possibility of establishing a royal commission to inquire into organized crime, which commission would also include investigations on seaports and also on fraudulent bankruptcies which continue to occur in Canada.

In closing, Mr. Speaker, if we say that to govern is to anticipate, then to manage is to act. This government cannot afford to stand by and witness such crimes and damages, and remain unmoved in holy meditation. Indeed not. We must act, and if to govern is to anticipate, I submit that unless the present government undertakes such inquiries immediately we may well have to face, in a matter of weeks or in a few months, calamities which could be without remedy.

For this reason, I am relying upon the initiative and good faith of the minister in urging him to take immediate steps with respect to this matter.

• (10:30 p.m.)

Hon. John N. Turner (Member of the Administration): Mr. Speaker, I listened with great interest to the remarks of my friend the hon. member for Sherbrooke (Mr. Allard) who raised a very important matter so far as the Montreal harbour and all other Canadian harbours are concerned. First of all, I must thank him for giving me notice of it this afternoon. However, in view of the ruling of the Chair, I had to wait until tonight to answer him, although I was ready to do so this afternoon.

The question gives me the opportunity to make a few comments on pilfering. That problem exists in all large harbours throughout the world, and not only in Canada, where a large volume of freight is handled I wish to point out to the hon. member that this situation is not peculiar to the Montreal harbour and I think he will readily agree.

The National Harbours Board is very conscious of the need to take the necessary steps to limit the pilfering going on in the Montreal harbour. Some of them, such as vehicle checks, are already in force and others will soon be spelled out. The closing of certain port entrances, the revision of procedure and documents with respect to the shipping of merchandise and, finally, an improved cargo guard service are planned.

I can assure the hon. member that the National Harbours Board is keeping a close watch on this matter and that the board will take all appropriate measures within the limits of its powers to eliminate as much of the pilfering as it possibly can.

Of course, the city of Montreal must share this responsibility with the National Harbours Board. I must say that, in certain cases, shippers believe that thefts occur at Montreal. But after all, a ship arriving in Montreal has been in many other parts of the world; so the thefts might have occurred elsewhere. When

a ship leaves Hamburg with stopovers in Le Havre or London or elsewhere before reaching Montreal, it is difficult to pinpoint where the theft occurred. I must frankly say that information in such cases is not very reliable. As a Montreal citizen, I object to the Montreal dockworkers always getting the blame, since they are not the only ones who could have committed these thefts.

In fact, many vehicles driven by tourists, truckers, in short by several categories of persons have access to the port; therefore, it is very difficult to determine who is responsible. But the National Harbours Board is very conscious of the problem, and I can assure the hon. member that a comparison of figures on a tonnage basis, between the port of Montreal and other ports in Canada, in North America and elsewhere in the world, will show that Montreal's record is not that bad.

Anyway, as I said at the beginning of my remarks, we are going to make sure that all possible measures are taken to control, to try and fight this problem which costs millions of dollars to shippers and to Montreal merchants.

The question raised tonight by the hon. member will be brought to the attention of the proper authorities, in order to arouse public opinion in this connection.

[*English*]

Motion agreed to and the house adjourned at 10.45 p.m.

HOUSE OF COMMONS

Friday, March 3, 1967

The house met at 11 a.m.

PRIVILEGE

MR. CHURCHILL—CONDUCT OF CHAIRMAN OF DEFENCE COMMITTEE

Hon. Gordon Churchill (Winnipeg South Centre): Mr. Speaker, I am rising on a question of privilege which affects the rights and privileges of every member of the House of Commons, and particularly affects the conduct of standing and special committees of the house. The normal procedure with regard to these committees, according to my understanding, is that they are masters of their own arrangements concerning the number of meetings and the times at which these meetings may be held. Normally these arrangements are arrived at by unanimous consent or by consultation in the steering committee and, infrequently, by a motion which is debated and settled by the committee as a whole. The latter method is rarely used.

The chairman of a standing or special committee, according to my understanding, has no rights or authority greater than those enjoyed by the chairman of the committee of the whole house, and certainly not equal to those of Mr. Speaker. My understanding has always been that committees are conducted according to the rules of the House of Commons as they are applicable; that the rules of debate apply in committees as they do in the house, as do similarly the rules pertaining to motions and amendments.

• (11:10 a.m.)

I am drawing your attention, sir—and I think we will have to get this settled—to what I term absolutely autocratic action on the part of the chairman of the defence committee this morning at eleven o'clock. At eleven o'clock this morning the chairman made this statement which I copied down, and which I reaffirm because he repeated it. His statement was "We will meet this afternoon at 3.30".

We received notice of a meeting of the committee for 9.30 this morning which we observed, and that meeting was held. We received no notice of a meeting at 3.30 this afternoon. In the committee at eleven o'clock no motion that we should meet this afternoon at 3.30 was put forward or received.

Mr. Harkness: At two o'clock.

Mr. Churchill: Was it at two o'clock?

Mr. Starr: That is even worse.

Mr. Churchill: Yes, it is even worse. I will change that statement to read two o'clock instead of 3.30, which is an even more arbitrary decision than I imagined it to be. As I say, no motion came before the committee and there was no opportunity for discussion. I simply raised this point with the chairman and I jotted down his words and asked whether he was arbitrarily making that ruling.

If this is permitted to become an established practice, Mr. Speaker, every committee chairman will set himself up with greater authority than you yourself enjoy—because you operate within the rules—and will determine on his own authority and at his own wish when, and I suppose where, meetings may be held. There is nothing to prevent the autocratic chairman of the defence committee from calling a meeting for tomorrow, or for Sunday, or for tonight, or for 3 a.m. tomorrow morning. This is how far the matter has gone. Unless some restraint can be placed upon this committee chairman—and I hope this restraint will then be observed and followed by other committee chairmen—we as members of this house will have our rights and privileges taken away from us. It is a shocking state of affairs, sir, that a standing committee of the House of Commons should be conducted in this arbitrary fashion, as a result of which hon. members are prevented from carrying out their duties effectively.

There is no excuse for this type of arbitrary action, sir, because this committee has been meeting every day of each week now for four weeks, sometimes twice a day and sometimes three times a day, for a total of 39 meetings. It is doing effective work of the greatest national importance. Yet here are its members being subjected to arbitrary action, sir, action which you yourself would never countenance and have never attempted to take in the House of Commons, because you operate within the rules.

I suggest, Mr. Speaker, that the committee chairmen must operate by the rules of this house and must act in accordance with the example that is set by the Speaker himself and by the chairman of the committee of the whole house, not in this arbitrary fashion which makes the rest of us just slaves at the beck and call of a temporary chairman of a committee who has no particular standing in the House of Commons.

Mr. H. E. Gray (Essex West): Mr. Speaker, may I just say a few words on the point raised by the hon. member. I do not base my remarks upon the fact that I am a member of the defence committee, because I am not a member of that committee.

I draw to your attention, Mr. Speaker, and to the attention of the house, and it is my understanding of procedures in the house and procedures in committees, that questions of order in committee must be settled in committee and cannot be appealed to Mr. Speaker. I have not had a chance to look at the precedents set forth in Beauchesne, but the question of such a decision being appealed to the Speaker arose on at least one occasion during the time the hon. gentleman and his colleagues occupied the government side of the house.

I suggest this is not a matter to be dealt with at this time in the House of Commons. It should be settled within the committee according to the usual and accustomed practices.

Mr. Frank Howard (Skeena): I am not a member of the defence committee—

An hon. Member: Keep quiet, then.

Mr. Howard: I shall refrain from commenting on that blurb from somebody I shall politely call an hon. member. As I say, Mr. Speaker, I am not a member of that committee but I know something about the conduct of the hon. gentleman chairing that committee at the moment. We must look at the whole matter in that light when considering whether there is a question of privilege.

The hon. gentleman chairing the committee in question is also chairman of the fisheries committee, of which I am a member. The fisheries committee met on a number of occasions during this session, considering the estimates of the Department of Fisheries. While it is true that the chairman of that fisheries committee, acting as chairman probably are wont to act, attempted on a number of occasions to speed the committee's consideration of the fisheries estimates, he did not have his full sway with the committee in its activities.

I am not detracting from the hon. gentleman; I am merely saying he acted as chairmen of committees should act, to get the committee business proceeded with as quickly as possible. It seems to me that the hon. member for Winnipeg South Centre, who has raised this matter of privilege, when this particular declaration was made by the chairman in the defence committee ought to have moved an appropriate motion to do something—

Mr. Churchill: It was eleven o'clock. The bells were ringing.

Mr. Howard: The bells were ringing, but I wish the hon. gentleman would let me finish. I did not interrupt him, and neither did anybody else. Everybody listened with great interest to what he had to say. As I was saying, had he been on his toes there was nothing to stop him from trying to obtain the floor to move that the committee meet at a particular time.

Mr. Churchill: On a point of order, I had no opportunity to get the floor.

Mr. Speaker: Order, please. The hon. member for Skeena.

Mr. Howard: The hon. gentleman from Winnipeg Centre—

An hon. Member: Winnipeg South Centre.

Mr. Howard: Every time I listen to the hon. gentleman from Winnipeg South Centre raise one of his spurious points in this house I must restrain myself so much that I forget the geographical location of his constituency. We had dealings with him in the past when he was government house leader, when he fumbled everything that came within his grasp.

Mr. Speaker: Order, please. Would the hon. member kindly limit his remarks to the question now before the house.

Mr. Howard: I am sure, Mr. Speaker, you recognized from the outset that the hon. member for Winnipeg South Centre had no question of privilege, and I am sure it will only be a matter of time until Your Honour so advises him.

Mr. H. A. Olson (Medicine Hat): Mr. Speaker, I think the hon. member for Essex West would search in vain through the precedents and rulings in Beauchesne to settle the

question that has been raised with respect to the ruling of a chairman in a committee. As a matter of fact, Mr. Speaker, I expect that the committee dealing with procedure will soon draw to your attention that there is a deficiency in the citations dealing with this subject. That deficiency came to light, I believe, when the rules were studied a few months ago. It is provided in the provisional standing orders accepted for the session that there shall be an appeal from the chairman's ruling in committee, and that the matter shall be settled by the committee. That is the way this matter ought to be settled.

Mr. Terence Nugent (Edmonton-Strathcona): Speaking to this point of order, Mr. Speaker, I wish to clarify the picture for the hon. member for Skeena. I am surprised that he should make so free with something he knows nothing about. The incident in question occurred at eleven o'clock when the chairman made his ruling, gave his order and adjourned the meeting. There was no opportunity at all to speak to the matter, and because he adjourned the meeting summarily we had no chance to complain about the action of the Chair.

• (11:20 a.m.)

I should like to say further that it had been understood in the committee—I am not sure I can go as far as to say it had been agreed —that we would not meet Friday afternoon. I think this is borne out by the notice of meetings, on which only one meeting at 9.30 this morning appeared. These notices generally cover the meetings for the day. So I think I am supported in my contention that the understanding was that we would not meet on Friday afternoon.

The position is, then, that the chairman himself made a declaration as to what the committee would do and when it would meet, though the custom is that as a rule these matters are decided by agreement; if there is no agreement a motion is made and a vote is taken. We try to avoid votes; in my mind there is not much doubt that general agreement usually is reached.

This question of privilege is by way of an appeal from the ruling of the chairman of a committee. The new rules provide for appeals to the Speaker from rulings made by the chairman of the committee of the whole house. I do not think there has yet been an occasion under our new rules when anyone has asked Your Honour to hear an appeal against a ruling made by the chairman of a committee. I am not sure that our new provisional rules are clear enough in this respect to give the Chair any clear guidance; I do not believe there is any precedent either for or against my suggestion that Your Honour has authority to hear an appeal of this kind, though it is a fact that in general the rules governing the committee of the whole house apply to the proceedings of committees of the house. It is true that each committee has the right to conduct its own business, but this is subject to the general rules governing committees; and except where special provision is made the same general rules govern committees as govern the committee of the whole.

Therefore, since a ruling by the chairman of the committee of the whole house is subject to appeal to the Speaker, I submit that the same applies to a ruling made by the chairman of a committee and that we have the right to ask Your Honour to hear such an appeal. In doing so I ask Your Honour to bear in mind that this decision was taken arbitrarily, and that there was no opportunity to discuss it. The chairman adjourned the meeting immediately so that no dissenting voice should be heard.

In these circumstances I believe Your Honour should go out of your way, if necessary, to so interpret our rules that justice will be done and that the proceedings of our committees will not only be properly conducted but that the appearance that we can act as honourable gentlemen in the proper conduct of our affairs may be maintained. I submit this can best be done by Your Honour making the ruling which I have suggested.

Right Hon. L. B. Pearson (Prime Minister): It seems to me that the question raised by hon. gentlemen opposite is not in order. Our rules on this point are quite clear. Perhaps I may be allowed to quote from our standing orders, which seem to me to deal very definitely with the point referred to by the hon. member for Medicine Hat.

Standing order 68-A reads:

> In any standing or special committee of the house questions of order shall be decided by the chairman, subject only to an appeal to the committee.

Hon. Michael Starr (Ontario): On this point, Mr. Speaker, in view of the fact that the Prime Minister has so forcefully pointed out the rule under which he says the subject matter which has been brought up is completely out of order, I would like to express my surprise that he has entered into this

question; because it is quite evident that by its actions, including those of the chairman, today and for the past few days the defence committee has been endeavouring to curtail debate—

Some hon. Members: Order.

Mr. Starr: We have been endeavouring to bring forward witnesses who have expressed their desire to appear before the committee in order to give the committee the fullest detail. The attempt to block them is exactly opposite to what the Prime Minister said before the committee was set up. He said that every opportunity would be given to every witness who had anything to add or any information to give. It is surprising that the Prime Minister now gets up and takes the side of the chairman of that committee and of the members of the Liberal party in trying to curtail the defence committee's discussions.

Some hon. Members: Hear, hear.

Mr. Jack McIntosh (Swift Current-Maple Creek): Mr. Speaker, not being a lawyer I am not going to get into a debate on the legality of this point, but I suggest that both the Prime Minister and you, sir, have a greater responsibility than the legality of the point we are discussing. What has happened this morning is just a means whereby the committee system may be made useless.

The principle of democracy, whereby a minority group can be and should be heard, applies foremost in this house, and I am surprised that the Prime Minister should get up and say that he is going to abide by and support the ruling of the committee chairman. If the Prime Minister does not believe in the principle of democracy—

Mr. Pearson: I believe in the rules.

Mr. McIntosh: —then all I can say—

Hon. Paul Martin (Secretary of State for External Affairs): On a point of order, Mr. Speaker—

Mr. Speaker: Order, please. I suggest that we allow the hon. member for Swift Current-Maple Creek to complete his remarks and then I will recognize the Secretary of State for External Affairs.

Mr. Martin (Essex East): No, Mr. Speaker. I was rising on a point of order—

Mr. McIntosh: Mr. Speaker—

Mr. Starr: Well, Mr. Speaker—

Mr. Speaker: Order. I know the minister is anxious to bring the rules and precedents to my attention, but I think it would be much more conducive to reaching a decision on this matter if we proceeded in an orderly fashion. If I were given an opportunity to hear the hon. member for Swift Current-Maple Creek then I would be glad to recognize the Secretary of State for External Affairs, if he would be patient just one moment.

Mr. Martin (Essex East): Mr. Speaker, on a point of order—

Mr. McIntosh: I still say—

Mr. Martin (Essex East): I rise on a point of order, Mr. Speaker.

Mr. Speaker: The minister insists on his right to rise on a point of order.

Mr. Martin (Essex East): Mr. Speaker, I would certainly be most anxious to comply with your request but in view of the statement by the Acting Leader of the Opposition (Mr. Starr), and the argument now being made, I wish to point out that the only issue before Your Honour at the present time is whether this house can discuss this matter at this time, and that was the only point made by the Prime Minister. It seems to me, Mr. Speaker—

Mr. Starr: Why not leave it up to the Speaker?

Mr. Martin (Essex East): —that you now have the responsibility of deciding whether the rule as stated by the Prime Minister is the one which covers the situation—

Mr. Starr: Don't try to force the Speaker to make up his mind—

Mr. Martin (Essex East): —and if it does there is no use making abusive remarks to the Prime Minister, who is simply, by reason of his office as leader of the house called upon to point out what are the rules.

Mr. McIntosh: Mr. Speaker, I was not proposing to engage in an argument. I was only putting forward a point of view. Whether or not it is the rules that are concerned, the principle of democracy applies and I think this is the place where minority groups in Canada can have a voice. The question is whether that principle continues down into the committees, and I am very surprised that the Prime Minister will not get up and

support my contention that the principle of democracy applies—

Mr. Starr: That is right.

Mr. McIntosh: —starting in this house, and that it should end here in this house. A rule has been made where by temporarily—

Mr. Speaker: Order, please. I appreciate the point made by the hon. member and I shall certainly bear it in mind when the time comes to reach a decision, but perhaps we should try to move on. I will now recognize the hon. member for Cape Breton South.

• (11:30 a.m.)

Mr. Donald MacInnis (Cape Breton South): Mr. Speaker, I was beginning to wonder who had been recognized. There is more talking from the Liberal side of the house than from the one who has been given your recognition.

Since what happened in the committee and what has developed here in the house as a result of the question of privilege raised by the hon. member for Winnipeg South Centre, we have heard the hon. member for Essex West (Mr. Gray) and the hon. member for Skeena (Mr. Howard) stand up in defence of the chairman concerning the conditions which prevailed in the committee this morning. I should think the only people who would be in a position to comment on the developments in the committee are those who witnessed what happened there this morning. What happened in the committee I believe is something that neither the Secretary of State for External Affairs nor the Prime Minister would condone.

I might comment on what the chairman of the committee himself said as to his duties as chairman. He referred to the difficulty experienced by chairmen in other committees. He mentioned the fact that some members who chair committees of this house, because they are attending their first parliament and have inadequate knowledge of the rules and procedures as well as inadequate experience, are running into considerable difficulty. In reflecting upon these other chairmen it would be fair to say that possibly he had in mind the chairman of the fisheries committee.

What happened this morning at what we might call the eleventh hour was that a member tried to put a motion to the chair in respect of meeting this afternoon. In all fairness to the chairman—and he can contradict this statement or accept it, but this is the understanding I have—I think he had some doubt in his mind as to whether there was a motion before the committee to meet this afternoon. While members on both sides of the committee were speaking—and there is no doubt that sides have been established in the committee, one against the other—and while he was trying to make up his mind as to whether there was a motion before the committee, the house bells were ringing. At that point the chairman raised his gavel and indicated to the committee that there would be a further meeting this afternoon at two o'clock and thereby cut off any further discussion in respect of any of the rules of the house which are applicable to committees.

When the hon. member for Essex West and the hon. member for Skeena indicate that under the rules the hon. member for Winnipeg South Centre had an opportunity to discuss this matter, this is not the case. There was absolutely no opportunity to discuss the rules or anything else. The fact that the chairman raised his gavel, adjourned the meeting, said that we would meet at two o'clock, and then rose from his position as chairman without further ado should be a clear indication that there was no opportunity in committee to discuss the matter of the meeting this afternoon. Therefore the appeal on the question of privilege has been brought to your attention.

Mr. Speaker: Order, please. I notice there are four more members who wish to take part in this debate. I will recognize the hon. member for Vancouver Quadra (Mr. Deachman) or any other member who wishes to take part in the discussion of the point of privilege raised by the hon. member for Winnipeg South Centre, but I am wondering whether this is the consensus of the house. In any event, for the moment I will call on the hon. member for Vancouver Quadra.

Mr. Grant Deachman (Vancouver Quadra): Mr. Speaker, the standing committee on national defence now has before it Bill No. C-243, and today's meeting was the 39th meeting of that committee. We have heard some 25 to 30 witnesses. At the meeting of the steering committee the question arose as to how we should now proceed and whether we should begin the clause by clause consideration of the bill.

Yesterday after the presentation of that report a motion was made, which this morning I ruled out of order on the ground that it was made while another topic was being discussed. Then a further motion was moved this morning that we adopt the report of the

steering committee, the effect of which would be that we would proceed on Monday to the orderly discussion of the bill clause by clause. Thereupon a debate arose on the motion which did not conclude until about three minutes to eleven this morning, before the bells rang. I then noted that we would have to consider the balance of the list of hon. members who wished to speak on this matter, and that we should meet this afternoon for that purpose. There was some discussion on that, the bells of the house began to ring and, as the hon. member has suggested, at this moment I said we should meet this afternoon at two o'clock. There was some dissent and I asked for a show of hands—

Some hon. Members: Oh, oh.

Mr. Deachman: —concerning whether we would be prepared to meet this afternoon. A majority agreed to meet this afternoon, and then we rose.

Mr. MacInnis (Cape Breton South): An absolute falsehood.

Mr. Deachman: We rose then and prepared to meet this afternoon at two o'clock.

Some hon. Members: Oh, oh.

Mr. Deachman: I am as willing to admit, as are some hon. members opposite who were in the room this morning, that there was some confusion about whether a motion had been put. I certainly am right, however, in saying that I suggested we meet at two o'clock, following which there was some dissension in respect of the idea of meeting at two o'clock, and then I pleaded with the committee to meet this afternoon in order to further the business of the committee. Finally, as the bells were ringing, I asked whether members were willing to meet this afternoon and hands were raised indicating willingness to meet this afternoon.

Some hon. Members: Oh, oh.

Mr. Deachman: Therefore, Mr. Speaker, I called the meeting for two o'clock this afternoon and, unless you rule against me, we will meet again this afternoon and proceed with our study of the bill.

Mr. Churchill: On a point of order, Mr. Speaker, it is a shameful misstatement of the facts to say there was a vote called in the committee. That is not true.

Mr. Speaker: Order, please. The hon. member for Greenwood.

[Mr. Deachman.]

Mr. Churchill: Is this a dictatorship?

Mr. Andrew Brewin (Greenwood): Mr. Speaker, I am a member of the committee on national defence, but unfortunately I was not able to be there this morning and did not hear what took place. It seems to me, however, that it would be most unfortunate if we should have a good deal of bickering and hardening of positions in respect of this matter. I think it would be a mistake for the committee to attempt to meet this afternoon if a substantial number of members feel they did not have adequate notice or believe there has been some misunderstanding concerning whether we would meet this afternoon. It seems to me that nothing is to be gained by shouting, bickering, standing up and filibustering on the one hand, or by closure on the other hand.

I suggest that the steering committee should meet again and plan how we should conclude the study of this very important matter. I regret that we are spending all this time here. I suggest the chairman should reconsider with the steering committee the question of postponing the meeting this afternoon and make other arrangements.

Mr. Nugent: Mr. Speaker, on a point of order; I do not think—

Mr. Speaker: Order. The hon. member has given his version and another hon. member has given his version. I doubt that much can be gained by arguing who is right or wrong. The hon. member has already spoken on the question of privilege.

• (11:40 a.m.)

Mr. Nugent: Mr. Speaker, I rise on a question of personal privilege. It is my feeling that the version I gave is so different from that of the hon. member for Vancouver Quadra that I am almost being accused of misleading the house. Let me say here and now that if the hon. member says there was a call for a vote I never heard it. If he asked for a show of hands I never heard that, and if he says there was a show of hands I never saw one. Let me assert that my version is accurate. If I am correct there was no motion, and if there was no motion there could be no call for a vote.

Mr. Speaker: Order, please. I do not disagree with the interpretation of facts by the hon. member. Certainly I think we would be making a terrible mistake, and perhaps we have already gone too far, in discussing the

proceedings of this committee. Although the matter is serious I am sure hon. members will agree with me when I say that we would be getting into difficulty were hon. members of the committee to come to the house to try to settle matters arising in the committee.

I am not trying to belittle the point raised by the hon. member for Winnipeg South Centre or the seriousness or grievousness of the situation suggested by the hon. member for Halifax, but I do suggest to hon. members that perhaps we should not allow this discussion to continue. The Chair should be given the opportunity at this point to express an opinion.

Some hon. Members: Hear, hear.

Mr. Speaker: However, I am the servant of this house and if hon. members wish to continue this discussion I shall hear them.

Mr. E. Nasserden (Rosthern): Mr. Speaker, my intervention will be very brief. I should like to refer to citation 288 at page 237 of Beauchesne which states:

> Committees are regarded as portions of the house and are governed for the most part in their proceedings by the same rules which prevail in the house.
>
> Every question is determined in a committee in the same manner as in the house to which it belongs.

Later it states:

> —whereupon the chairman must suspend the proceedings until a quorum be present or adjourn the committee to some future day.

This indicates to me that there should be at least one day when the chairman is making his decision regarding the sitting of the particular committee. Surely members of the House of Commons are entitled to that day's notice in respect of a committee meeting, even if we should agree that the chairman had the power to do what he has done, as I doubt very much.

Mr. J. M. Forrestall (Halifax): Mr. Speaker, my remarks will be very brief and I should like to relate them to the question of privilege raised by the hon. member for Winnipeg South Centre. It is my belief that some type of a ruling or decision by Your Honour is necessary because of the tenor of events in the defence committee in the past two days.

Part of the question of privilege raised by the hon. member for Winnipeg South Centre appears to relate to threats and arguments in the committee about arrangements or deals made by the committee. This is quite contrary to the rules. To add to the confusion, the chairman in only slightly veiled terms made it quite clear to the members of the committee that it requires only 9 to make a quorum.

In support of my suggestion as to the need for some meaningful decision by Your Honour let me make two points. The question of privilege in the final analysis must result in a ruling on what may be a point of order, but in no way does this mitigate the seriousness or grievousness of the situation which now exists in the defence committee.

Hon. D. S. Harkness (Calgary North): Mr. Speaker, perhaps I could say two or three words about this matter. I attended the committee meeting this morning, and my recollection of the events is the same as that outlined by the hon. members for Winnipeg South Centre (Mr. Churchill), and Edmonton-Strathcona (Mr. Nugent). I do not intend to go into what actually happened but I should like to say the hon. member for Greenwood spoke very good sense when he said he could not see any real purpose in the committee reconvening this afternoon at two o'clock. In view of the general feeling and tenor of the committee this morning and at the time we adjourned, nothing useful could be accomplished by meeting again this afternoon. I am sure the result of such a meeting would be a further series of rows.

Mr. MacInnis (Cape Breton South): Mr. Speaker, I should like to rise on a question of personal privilege.

Mr. Speaker: Order, please. Is the hon. member for Cape Breton South rising on a point of order? He has already taken part in this debate.

Mr. MacInnis (Cape Breton South): I am rising on a question of personal privilege, Mr. Speaker.

Mr. Speaker: We can have only one question of privilege before the house at a time.

Mr. MacInnis (Cape Breton South): This is a personal question of privilege.

Mr. Speaker: Order, please. Whether the hon. member's question is personal or impersonal, there can be but one question of privilege before the house at any one time accordink to our rules. I suggest to the hon. member that he may wish to rise on a point of order.

Conduct of Chairman of Defence Committee

Mr. MacInnis (Cape Breton South): Thank you, Mr. Speaker. I am rising on a point of order. I should like to ask for some clarification or ruling in relation to the statement I made regarding what happened in the committee this morning. Having regard to the remark by the chairman of that committee to the effect that a show of hands was called, when you review what has been stated by myself and by the chairman the implication is that I lied.

If that is the case, Mr. Speaker, I would call as my only witness the Minister of National Defence, who was present, and ask him whether he supports what the chairman has said, that a show of hands was called, or that what I have said is the basic truth.

Mr. Speaker: Order, please. The hon. member is restating substantially the same things already said. There is obviously a disagreement of opinion as to what transpired. I am sure all hon. members have stated the facts to the best of their recollection, but essentially the situation is not changed whether it developed in one way or the other. Do hon. members not think we have considered this matter sufficiently? We have heard a question of privilege and various points of order. We have spent about 50 minutes of the time of this house on the matter. I suggest that hon. members now would want me as their servant to make a decision at this time.

Generally speaking hon. members know that by virtue of citation 324 (1) of Beauchesne's fourth edition it is irregular to refer to the proceedings or the evidence taken in a committee while that committee is sitting. This is a basic principle and it is only in extreme circumstances that the House of Commons takes it upon itself to refer to the proceedings of a committee.

A question of privilege has been raised by the hon. member for Winnipeg South Centre. It was not followed by a motion so that it would seem to me that at this point I could say there is no motion and therefore no question of privilege. However, I do consider the question raised by the hon. member to be a point of order and I will look at the situation in that light.

The hon. members for Vancouver Quadra and Edmonton-Strathcona, and I believe the hon. members for Rosthern and Halifax, suggested that this matter should be considered as an appeal from the chairman's ruling to the Chair. It might be possible to do that if there were not specific rules in our rule book providing for a situation such as this. The rule referred to by the right hon. Prime Minister, namely 68-A, is the one to which my attention has been drawn by my advisers. It states:

> In any standing or special committee of the house questions of order shall be decided by the chairman, subject only to an appeal to the committee.

• (11:50 a.m.)

I may say that as there is no opportunity for an appeal, what can the Speaker of the house do about this situation? Not very much, I suggest. I realize it may very well be that the procedure followed was not the correct one but in view of the standing order to which I have referred I do not think it is possible for the Chair to accept an appeal from that procedure. I may say for the guidance of the committee, if it should meet again, that citation 303(3) of Beauchesne's fourth edition reads as follows:

> Committees should be regularly adjourned from day to day, though the chairman is frequently allowed to arrange the day and hour of sitting, but this can be done only with the general consent of the committee.

I agree fully that this citation should apply to the committee. Whether or not it was applied it is difficult for me to determine. I have listened to the arguments advanced by the hon. member for Cape Breton South and by other hon. members, and I do not disagree with their interpretation of what actually took place. It might well be that the procedure followed in the committee was not exactly in accordance with our practice, but the remedy must be found in the committee and not in the house and I must so rule.

PRIVATE BILLS

[*Translation*]

Fourth report of the standing committee on private bills—Mr. Loiselle.

[*Note: Text of the foregoing report appears in today's Votes and Proceedings.*]

[*English*]

LABOUR CONDITIONS

ANNOUNCEMENT OF CHANGES IN MANPOWER MOBILITY PROGRAM

Hon. Jean Marchand (Minister of Manpower and Immigration): Mr. Speaker, I would like to inform the house of changes the

government proposes to make, to become effective on April 1, to strengthen the manpower mobility program.

It will be recalled that this program was introduced late in 1965. A worker who has been unemployed for four months may qualify for a grant to help him to move with his family to another area where there is a job for him. A worker who has been unemployed for less than four months may obtain a loan for the same purpose.

Parliament in this fiscal year provided $3,500,000 for grants, and a revolving fund of $5 million was established for the loans. In the first 12 months, however, there were 1,207 grants and 982 loans amounting to a total combined value of approximately $1,185,000.

Clearly the program is not providing as much help as was intended. The reason is that we recognized from the beginning that it would be a difficult program to administer, and that therefore we should start cautiously, broadening the program as we gain experience. I took one step in that direction last April by providing that people living in an area where a shut-down or a lay-off removed a major source of employment would be eligible for grants and not be subject to the previous requirement that they be unemployed for four months.

We are now ready to take a further major step. The following three changes are proposed. First, we will drop altogether the restrictive condition about four months' unemployment. That is to say, this will no longer be partially a loan program. Any man who is unemployed, or has been notified of his permanent lay-off, will be entitled to a grant if there is little prospect of suitable employment in his home community and there is a definite job for him to go to in another area.

Second, we propose to amend the grants to lessen what is often the main obstacle to moving, in that the man who owns his own home faces considerable expense and even loss in selling a house in an area where there is unemployment and has to obtain what is likely to be more expensive housing in another area. To offset this we will make a grant of $500 when the former home is sold or when a new one is purchased.

Third, we propose to make small grants to enable unemployed people to look for work in the nearest area where there are better opportunities than in their home district. This grant will cover the person's return travel expenses and, if he has dependants, a modest allowance to help support them while he is away. This allowance will be up to $20 a week for the first dependant, $30 a week for two dependants, and $40 a week for three or more. The allowance will be available for a maximum of four weeks.

[*Translation*]

Mr. Speaker, I believe that these changes greatly improve our mobility program. They do not, however, make it complete. The people who most need help in relocation are not always unemployed but are people such as marginal farmers with very low incomes from their present occupations. We want to help these underemployed people but it will be appreciated that there are difficult problems of definition and administration. We therefore want our officers to gain experience with the broader grants for unemployed before making the further extension of coverage.

Accordingly, the government plans that, while the changes I have announced will take effect on April 1, further changes to cover underemployed people will be introduced with effect on September 1.

I would like to emphasize, Mr. Speaker, that we will implement this broadened program in a way that co-ordinates it with the industrial development activities of the provinces and of other governmental agencies. Generally speaking, we will be helping workers to move to the nearest community where there are jobs. It is not our intention to divert manpower from emerging employment in nearby areas or elsewhere in a province, but rather to make it possible for people to move to such employment and thus strengthen regional and provincial development programs.

There is one final point. This program now operates on the basis of regulations. That is appropriate to the developmental stage that it has been in and that will continue for some time yet. By the fall, however, I think we will have brought it to a form that can be regarded as fairly complete. The government's intention therefore is at that time to introduce legislation by which parliament would give the program a permanent basis.

[*English*]

Hon. Michael Starr (Ontario): Mr. Speaker, I wish to compliment the minister on trying to improve the experimental manpower mobility program which was originally introduced. It was quite evident at the beginning that this program contained too many restrictions so that people could only qualify for

either a grant or a loan if they were unemployed for a certain period; I believe it was four months. The minister said several changes were proposed, one of them being that the restrictive condition requiring that a man be unemployed for four months will be dropped altogether and that any person who becomes unemployed or has been notified of his permanent lay-off will be entitled to a grant or a loan.

I notice that the word "loan" has been dropped in favour of the word "grant". In other words there will be an outright debt free grant given to these people. However, the minister does not specify that such grants will only be extended to people in dire financial need. If that is not so, then an unconditional grant will be available to anyone who is unemployed or who has been given notice of his permanent lay-off, regardless of his financial position.

The second change is that a grant of $500 will be given to people who have to sell a house and move to another area, thus incurring a financial loss. It seems to me that $500 would not be sufficient where a worker in a small municipality owns a house where the value is in the range of $5,000 or $6,000 and has to move to another area where the only housing available to him is in the range of $14,000. I think the minister should look at this aspect to ascertain whether some other plan could be put into effect which would be more helpful to people who have to move to areas where houses might be available but where this flat $500 grant would not be sufficient.

• (12 noon)

Under the third proposal the minister said travel expenses would be paid to areas where there may be better opportunities, and the dependants of the person concerned will receive allowances based on $20 for the first dependant, $30 for two dependants and $40 for three or more for a maximum of four weeks. I presume these payments will be made when a person is directed by the manpower service to a certain place and before that person has established a residence.

As I said at the beginning, these changes are welcome and I compliment the minister upon them. I hope they work to the benefit of those who find themselves without jobs. It is quite evident that more and more people are becoming unemployed, and of course this program becomes necessary for those who find themselves in that position. I should like the minister to take another look at the $500 grant to aid in the purchase of another home, to ascertain whether some other type of plan can be worked out.

Mr. David Orlikow (Winnipeg North): Mr. Speaker, we greet with approval the improvements in the manpower mobility program which the minister announced today. Having said that, however, I think it is necessary to point out to the minister and the government that over the past couple of years organizations such as the Canadian Labour Congress and its affiliated unions have been extremely critical of the inadequacies of the existing program as well as the projected programs. The announcements the minister makes today are welcome, but if we compare them with the need illustrated recently for facilities for the retraining of auto workers, the inadequacies are pointed up.

According to the minister, 5,700 auto workers are being laid off as a result of the auto pact, yet we do not have facilities for training more than a small percentage of these displaced workers. It is obvious, therefore, we have a long way to go before we could consider the manpower program of the government adequate. I join with the hon. member for Ontario in expressing concern over the $500 grant announced by the minister because it will prove inadequate, as have most of the steps the government has taken to date. This grant will be of small help to a worker who may be laid off in Oshawa or in Cape Breton, where the coal industry is in trouble, if he has to move to a city like Toronto in which the cost of housing is high. The $500 will be of little help in the purchase or rental of another house.

So, Mr. Speaker, while joining with the spokesman for the official opposition in welcoming these small changes, I suggest to the minister that he still has a long way to go before his department has established a policy which will meet the needs of Canadian workers who are being displaced at a rapid rate in this technological age.

Mr. H. A. Olson (Medicine Hat): Mr. Speaker, I certainly hope the minister has found some means of improving the mobility program. As I look over the statement he made today I find there are a number of weaknesses in it. I believe his statement that it will be difficult to administer this program is the understatement of the year. It would appear that the new program will make a great many people eligible for payments to cover some of the cost of moving, and with

the transfers that are going on all over Canada a substantial administrative problem could arise. It seems to me if this interpretation can be placed on this mobility program it would be possible for people to be paid for their house, for example, upon moving into Calgary while other people are being paid who are moving out of Calgary. I believe, therefore, there needs to be some definition of the areas of job opportunities, areas in which there is an excess of workers in relation to job opportunities.

We go along with the minister's hope that he will be able to move workers into those parts of Canada in which there are job opportunities. Unless there is far more in the regulations under which this mobility program will be administered, I suggest to him that a large number of administrative problems will arise which do not seem to be met by the statement we have heard. We agree that one of the major problems concerns disposing of and acquiring new houses. This problem is particularly acute in areas in which there are job opportunities, because they are the same areas in which there is a shortage of housing at the moment.

While we wish the minister success in these amendments to the mobility program, there must be far more than has been indicated so far or I am sure the minister is going to be severely upset.

FARM MACHINERY

REPORT BY MINISTER ON DISCUSSIONS WITH MANUFACTURERS

Hon. J. J. Greene (Minister of Agriculture): Mr. Speaker, on several occasions recently hon. members have inquired about the discussions I have held with farm machinery companies concerning recently announced price increases.

During recent weeks I have met with representatives of the major manufacturers of farm machinery. At these meetings we discussed the question of price increases for farm machinery during 1967, and in particular increases while the work of the royal commission on farm machinery is under way, the lines of equipment which would be most affected and the reasons for any proposed increases. In these discussions I indicated my desire to keep any price increases to a minimum, particularly while the royal commission on farm machinery prices was deliberating.

Report of Discussions on Farm Machinery

I have been very much encouraged by the response from the farm machinery companies. Generally speaking I have obtained assurances that price increases to be effected in 1967 will not result in overall increases of more than 2 per cent to 3 per cent. On some individual items price increases may be somewhat higher, but for other items no price increases whatever are expected.

Part of the price increase in many cases is the result of product improvement. The effect of this on prices was estimated by various companies to be about a third to one half of the price increase. In certain cases the price increases are due to factors beyond the control of companies operating in Canada. Some companies import considerable quantities of their components from the United States and the United Kingdom. Price increases on components from these sources have been 3 per cent to 4 per cent. One company, for example, imports 90 per cent of its Canadian sales. The house will appreciate that in a case like this, price increases outside our borders have a direct bearing on the prices which such companies have to charge in Canada.

The companies in turn have pointed out to me the increased costs which they face in 1967 and which they are not in a position to absorb out of their earnings without affecting their ability to obtain new capital. Increased costs mentioned by the machinery companies were 3.5 per cent to 4.5 per cent on materials, 7 per cent on wages, higher borrowing rates and increased transportation charges of 10 per cent on materials. Materials represent a high proportion of the total cost of farm machinery, as much as 70 per cent being reported by one company.

• (12:10 p.m.)

I, of course, appreciate the grave difficulties of the farmer currently faced with a cost-price squeeze. We are extremely hopeful that some of the pressure of this squeeze will be relieved by an upward movement of the price factor, and particularly by the attainment of a more realistic level of world wheat prices under the new world cereals agreement now being negotiated in Geneva. I am also extremely hopeful that the royal commission on farm machinery prices will come to helpful conclusions on the difficult issue of rising farm machinery costs which have been of such great concern to our farmers.

In the meantime, in the light of generally rising costs and the considerably higher price increases, including those of wages, in other

areas of our economy, it is my belief, following lengthy discussions with many farm machinery company officials, that this over-all—

Mr. Starr: Mr. Speaker, on a point of order, I am wondering whether this is an announcement of policy. If so, nothing has been said yet. All we have been listening to is propaganda, and I do not know whether this is the time for that sort of thing. If the minister has a matter of policy to announce then I wish he would get around to it instead of embarking upon a long preamble.

Mr. Greene: Mr. Speaker, I am not sure to what point of order the hon. gentleman is referring.

Mr. Starr: We want to know what you are trying to tell us.

Mr. Greene: Mr. Speaker, the hon. gentleman's colleagues have been asking for a statement on the results of the discussions I have had in connection with the prices of farm machinery. I think if hon. members listen to the facts I am giving them they will be apprised of the results of those discussions, with which I trust they will concur. I do not know what else I can tell them other than relating the facts and the results of the discussions.

As I was saying, Mr. Speaker, in the meantime, in the light of generally rising costs and the considerably higher price increases, including those of wages, in other areas of our economy, it is my belief, following lengthy discussions with many farm machinery company officials, that this over-all price increase of some 2 per cent to 3 per cent is not, in the light of all the circumstances, an irresponsible one.

I have been asked whether I propose to table this correspondence between myself and machinery companies. Since the companies have voluntarily provided the information on which this statement is based, and in view of the value of, and need for, continued co-operation in the light of the investigations being conducted by the Barber commission, I do not believe any useful purpose would be served by the tabling of these documents.

Mr. H. W. Danforth (Kent (Ont.)): Mr. Speaker, the farmers of this country will be delighted to learn that the government has finally ascertained that there has been an increase in the prices of farm machinery, something the farmers have been aware of for the last four years. Both the farmers and the agricultural industry as a whole are going to be very disappointed in the announcement that has been made this morning, because following previous announcements of the Minister of Agriculture when he first took office they anticipated that should there be a drastic increase in the prices of farm machinery something would be done about it. This is why we have constantly requested an announcement in this regard, hoping the government would enunciate some policy to prevent the tremendous increase in the prices of farm machinery which has occurred. On the other hand, I am sure the machinery companies both in the United States and in Canada will be delighted indeed that the minister has taken this opportunity to justify the increase in their prices.

The minister states, Mr. Speaker, that he has been assured that the price increase for 1967 will be in the neighbourhood of 2 per cent to 3 per cent over-all. However, he tempers this by saying there will not be an increase on some items of machinery. The farmers know that if machinery is not selling, then there will not be an increase in the price. On the other hand, the minister has indicated that there could be an even greater increase in the prices of certain specified machines.

Anyone who buys farm machinery, Mr. Speaker, knows that under normal circumstances most of it is purchased during the first three months of the year. This announcement has been delayed until the major portion of the machinery required for the 1967 season is either now in the hands of the farmers or has been contracted for.

I would take issue with the minister's figure of 2 per cent to 3 per cent. Figures just released by the Dominion Bureau of Statistics would seem to indicate that in the 1965 season there was an 10 per cent over-all increase in farm machinery prices. As far as the 1966 season is concerned, it has been pointed out in this house to the minister that in some instances prices went up 8 per cent. With the increase now indicated by the minister of some 2 per cent to 3 per cent for this year, this means that in 1967 the farmers of this nation could be faced with increases in prices on some lines of machinery of 20 per cent over the 1965 prices.

Such an increase is not justified, Mr. Speaker, and I suggest that the farmers of this nation have every reason to blame this government for not bringing in a policy which would hold down farm machinery prices. That was what the farmers expected,

and they had every reason to believe that the announcement of such a policy would be made. I am sure that at the present time they are both disappointed and disgusted with the minister's statement.

Mr. Ed. Schreyer (Springfield): Mr. Speaker, many of us in this chamber as well as many farmers across the country have been waiting for quite a long time now for the statement that has just been made by the Minister of Agriculture. As has already been said by the hon. member for Kent (Ont.) (Mr. Danforth), there really is not much substance to the alleged policy statement which has just been made by the minister. Of course the minister is quite good at analysing the problems which face the Canadian agricultural industry and which have faced it in the course of the past decade or more; but when it comes to giving some concrete indication as to what remedial action the government intends to take, the minister makes, as I say, a statement which simply has no substance.

The minister is optimistic, and many of us must remain optimistic, that the general price level of agricultural products will increase, and that prices paid under the international wheat agreement will be raised relatively soon. But even this, Mr. Speaker, will not make a substantial contribution toward easing the continuing cost-price squeeze which has prevailed for so long. By every index that one would care to look at it is becoming all too apparent and obvious that those who are engaged in the agricultural industry are facing a deteriorating economic position.

It is either a case, Mr. Speaker, of specific and rather massive action being taken by the government to improve the prices received by farm operators, or some kind of specific and tangible action which must be taken to try to hold the line on costs to the producer.

• (12:20 p.m.)

The minister tried to leave the impression that he has been active and successful in exercising moral suasion with respect to requests for increases by manufacturers of farm machinery. If he did so he ought to be prepared to table the correspondence. I did not clearly understand what he said on that point.

An hon. Member: He did not wish to table it.

Mr. Schreyer: I understand the minister is not prepared to table the correspondence. We must take his word that he has been in touch with some manufacturers and has succeeded in persuading them to hold the line on prices until we get the commission report, at least.

The hon. member for Humboldt-Melfort-Tisdale in particular asked whether the government contemplates imposing a moratorium with respect to prices, but the contention was advanced that there is no constitutional jurisdiction for that to be done. Would the minister take this problem seriously enough to investigate the feasibility of consulting with provincial authorities with a view to taking joint federal-provincial action in this regard which I submit would be intra vires and constitutional. The problem is serious enough when one considers farm machinery prices to warrant extraordinary joint federal-provincial action.

The minister may say there have been increases because material prices have increased, because the cost of labour has increased and that these increases have necessitated increased farm machinery prices. Yet the minister does not say what labour unit costs are involved in the manufacture of farm machinery. I submit that unit labour costs in this field have remained steady or may have gone down somewhat. Also the minister does not tell us as he should of profits earned in the farm machinery manufacturing sector. Those profits have increased dramatically upward in the past two years and that situation should not be tolerated.

The minister should exercise more than moral suasion; he should try to implement negotiations with the provinces to persuade them to take specific action. In the meantime, until something extraordinary is done in his field we may only look forward to a continuation of the cost-price squeeze and a worsening of conditions generally. Between the present time and two or three years in the future it will be necessary to increase moneys available under ARDA and other special programs to deal with problems of poverty in rural sectors; such moneys will have to be increased by 500 per cent or 600 per cent.

Mr. Speaker: Order, please. I shall allow the hon. member to continue in a moment. I do not wish to single him out from other hon. members, but statements made by ministers should be as concise as possible and, according to the standing order, comments should be brief. Representatives of the parties have made comments that are longer than they need be. I bring this to the attention of all hon. members.

Mr. Nasserden: On the point of order—

Mr. Speaker: I have just ruled on the point of order.

Mr. Schreyer: Could I conclude with a few sentences? I will take but a second. The minister's statement has been vague; it may be unfair to criticize it too much, but it shows, as yet, no evidence of concrete and specific actions to be taken. That is why we are disappointed.

[*Translation*]

Mr. C. A. Gauthier (Roberval): Mr. Speaker, taking into account what you have just said, I will be brief to shorten this debate as much as possible. Besides, I never speak very long at the resolution stage.

This morning the minister moved a resolution which reads in part as follows:

> That it is expedient to introduce a measure to provide for the payment to provinces out of the Consolidated Revenue Fund, for each fiscal year in the period commencing on the 1st day of April, 1967 and ending on the 31st day of March, 1972, of provincial revenue equalization payments and post-secondary education adjustment payments—

In my opinion, that is just an extension of the equalization payments legislation which concerns mainly the province of Quebec. It is understood that we do not accept the present makeshift, namely the refund of the equalization payments, which we find rather small in any case compared to the amount which the province of Quebec pays in taxes to the federal government. We hope to see the day when the constitution is given its true meaning again. Quebec will then recover its three taxation fields in full and will no longer have to depend on the good will of the federal government for those small equalization payments.

Therefore, Mr. Speaker, we will wait until the bill is introduced when we will certainly have something to say.

[*English*]

Mr. H. A. Olson (Medicine Hat): Mr. Speaker, briefly commenting on the minister's statement, he has left me puzzled. First he said he was encouraged by the discussions he had had with farm machinery manufacturers; then he tried to justify price increases. I understand that the cost of parts coming in from the United States and the United Kingdom have increased by 3 per cent or 4 per cent; yet the Dominion Bureau of Statistics report says that substantially over 10 per cent more was being charged for these implements in 1966 than was being charged in 1965.

Would the royal commission looking into this matter make an interim report on this situation? We have no satisfactory explanation why price increases are justified. Those increases ought to be explained. It is all very well to say that costs have increased so much more for labour and so much more for other things, but are those increases justified? The royal commission was set up to investigate this very situation.

In conclusion may I say that farmers are not satisfied with things as they are. We hope there will be some governmental investigation and a report with respect to whether farm machinery companies have been asking for unjustified increases.

CANADA EVIDENCE ACT

AMENDMENTS RESPECTING TAKING OF ADMISSIONS OR CONFESSIONS

Mr. David Orlikow (Winnipeg North) moved for leave to introduce Bill No. C-276, to amend the Canada Evidence Act (incriminating statements).

Some hon. Members: Explain.

Mr. Orlikow: The purpose of this bill is to amend the Canada Evidence Act to put into that act some of the principles enunciated by the United States Supreme Court in 1966, according to which any admission or confession made while the accused is in custody cannot be used by the prosecution unless it proves that the police warned the suspect that he may remain silent and that anything he says may be held against him; also, that he has the right to have a lawyer present during interrogation.

If the suspect desires a lawyer but cannot afford one he cannot be questioned unless the crown appoints a lawyer and that lawyer is present. If the suspect confesses after receiving the required warning, but without having the benefit of counsel, the burden is on the prosecution to prove a knowing waiver by the accused—

Mr. Speaker: Order, please. I think the hon. member knows that according to the rules his statement should be brief. I suggest that perhaps brevity is being forgotten this morning.

Mr. Orlikow: May I conclude with one more sentence. The burden is on the prosecution to prove a knowing waiver by the accused, and the interrogation will be conducted in such a way, and will be taken to show a lack of waiver unless proof to the contrary is provided.

Motion agreed to and bill read the first time.

FISHERIES

SEALS—STEPS TO ENSURE COMPLIANCE WITH REGULATIONS

On the orders of the day:

Hon. Michael Starr (Ontario): Mr. Speaker, I wish to direct a question to the Minister of Fisheries. In view of the fact that 11 ships are setting sail from Halifax within the next day or so to kill seals, what measures is the minister taking to ensure the observance of the new regulations?

Hon. H.-J. Robichaud (Minister of Fisheries): Mr. Speaker, I have recently made a number of statements in the house on this matter, particularly on February 13 when I spoke during the budget debate. A meeting of our officers who will be asked to participate in or try to control this operation took place in Halifax this week. We shall have a fisheries officer on every sealer engaged in the gulf of St. Lawrence. We shall have officers at every landing point so we can control operations by aircraft. We have secured the services of four helicopters, and we shall have a number of officers—

Mr. Speaker: Order. My impression is that the minister is now reiterating the statement to which he referred a moment ago. I know how important this question is, but I suggest that his statement should not be allowed to go any further.

Mr. Starr: I should like to ask whether in addition to this supervision the minister himself is planning to be on the spot to make certain that the sealers comply with the new rule calling for the use of a 30-inch club only in the slaughter of baby seals.

Mr. Robichaud: I believe my visit to the ice packs last year during the sealing operation was sufficient to enable me to realize what regulations should be implemented in order to establish full control. I am confident that our officers and representatives of the S.P.C.A. who will be on the ice this year will be able to give factual reports on what will take place.

Inquiries of the Ministry

INDUSTRY

INQUIRY AS TO STEPS TO STIMULATE CONSTRUCTION

On the orders of the day:

Mr. T. C. Douglas (Burnaby-Coquitlam): Mr. Speaker, may I ask the Minister of Finance whether his attention has been drawn to the figures released by Southam Building Reports to the effect that construction contracts awarded in the first two months of this year have declined by 20.8 per cent compared with the first two months of last year, that major contracts over one million dollars are down by 144 per cent, residential contracts by 10.8 per cent, construction for business by 36.1 per cent and institutional awards by 18.4 per cent. The provinces which seem to be most adversely affected are Quebec, the prairie provinces and British Columbia. In view of the serious repercussions of this situation not only for the construction industry but for the industries supplying building materials, I should like to ask the minister whether his department has any plans in prospect to stimulate construction during the present year and whether he will be making a statement in this regard.

Hon. Mitchell Sharp (Minister of Finance): Mr. Speaker, I have not seen the figures to which the hon. gentleman has referred, but my department and I are watching economic developments very closely and if I feel it is necessary to make a statement I will certainly be happy to do so. Government policies are under constant review.

Mr. Douglas: May I ask the the minister whether the information given to him by his department coincides with the statistics in Southam Building Reports showing a substantial decline in contract awards for the first two months of this year, and whether he intends fairly soon to make a statement as to the monetary or credit policies it is proposed to follow in order to cope with the situation?

Mr. Sharp: The information I have at the present time is that economic expansion has come down to a much more sustainable level. I had expected there would be some decline in the rate of construction expenditures compared with last year, when they were so high that it was necessary for the government to cut back its own expenditures. Indeed, I would have been very disappointed if there had not been. Our objective should be not to repeat the experience of 1966 but to reach a much more sustainable and stable level.

Inquiries of the Ministry

Mr. E. Nasserden (Rosthern): Mr. Speaker, does this mean the minister now realizes that rising interest rates, rising costs of material and rising taxation are hindering the progress of our economy?

Mr. Speaker: Order. The question is argumentative.

LABOUR CONDITIONS

EXTENSION OF MANPOWER MOBILITY PROGRAM TO FARM LABOUR AND INDIANS

On the orders of the day:

Mr. Reynold Rapp (Humboldt-Melfort-Tisdale): Mr. Speaker, my question is directed to the Minister of Manpower and Immigration. Earlier today the hon. gentleman made a statement about the revised manpower mobility program. Will that program also include provision for unemployment insurance for farm labour to become effective on April 1 of this year?

Hon. Jean Marchand (Minister of Manpower and Immigration): Mr. Speaker, I think it is clear that we shall have to postpone that part of the program until we can find good definitions and have better administrative rulings than we have at present. However, the intention is to cover farmers too, and I hope we can do it as soon as possible.

Mr. E. Nasserden (Rosthern): Mr. Speaker, a number of us are wondering whether grants available under the mobility policy will also be available to the first citizens of Canada, our Indians.

Mr. Marchand: As far as the first citizens of Canada are concerned, if they fulfil the requirements of the legislation I do not see why they should not be entitled to the same advantages as others.

HEALTH AND WELFARE

REARRANGEMENT OF MENTAL HEALTH BRANCH OF DEPARTMENT

On the orders of the day:

Mr. L. M. Brand (Saskatoon): Mr. Speaker, I have a question for the Minister of National Health and Welfare. Could the minister tell the house whether the mental health division of his department has been assigned a lower position in the departmental structure recently, as a result of which the chief of this division does not now report directly to the deputy minister?

[Mr. Sharp.]

Mr. Speaker: Order. The question asked by the hon. member is not in order at this time.

LABOUR RELATIONS

RAILWAY DISPUTE—APPOINTMENT OF ARBITRATION BOARD

On the orders of the day:

Mr. David Lewis (York South): Mr. Speaker, I have a question to ask the Minister of Labour. I tried to give him notice but I was informed he would not be in the house today and so I should like to address it to the parliamentary secretary. No doubt he will bring it to the notice of the minister and perhaps use his well established negotiating procedures to get a proper answer.

I should like to know what progress the minister has made in drafting the appropriate regulations and in appointing the board or boards of arbitration to deal with the dispute between the railways and those unions which rejected the terms submitted by Mr. Goldenberg as mediator.

Mr. B. S. Mackasey (Parliamentary Secretary to Minister of Labour): Mr. Speaker, because of the great respect I have for the hon. member I would have had a prepared answer ready for him had he brought the question to my attention as well. He can rest assured, however, that I will bring the matter to the notice of the Minister of Labour.

Mr. Lewis: I apologize to the hon. gentleman. I telephoned the minister's office rather late this morning and did not follow up the matter. Would the hon. gentleman find out and inform the house, or have the minister do so, whether it is intended to provide in the regulations which I understand are in preparation that the award of the arbitrators will be for a three year term or for some other specific term, or whether the arbitrators are to be left with discretion in this area?

EXTERNAL AFFAIRS

EFFECT OF STATEMENTS BY NATIONAL DEFENCE DEPARTMENT

On the orders of the day:

Hon. J. A. MacLean (Queens): Mr. Speaker, I should like to address a question to the Secretary of State for External Affairs. Is it his intention to make a statement on government policy in the near future so that parliament and the country will be able to judge whether statements being issued through the Department of National Defence in recent

days, purporting to reflect Canada's foreign policy, are invalid or just premature?

Hon. Paul Martin (Secretary of State for External Affairs): Mr. Speaker, I have no reason to believe that any statement made by the Minister of National Defence, or by anyone purporting to speak on behalf of that department, is not consistent with the foreign policy of this country as already enunciated.

Mr. W. B. Nesbitt (Oxford): Mr. Speaker, I wish to direct a supplementary question to the Secretary of State for External Affairs. In view of the fact it is my understanding that the minister is going to appear next week before the external affairs committee of the other place, would he agree to use his good offices to call a meeting of the standing committee on external affairs of this house so that he may give evidence with respect to statements made by the chief of staff in the defence committee that affect foreign policy very seriously?

Mr. Martin (Essex East): Mr. Speaker, I do not want to reply to the last part of my hon. friend's question because I think it does not have obvious application. The Prime Minister has already indicated our desire to have the external affairs committee of this house meet. I believe steps have been taken toward that end. With regard to the hearing before a committee of the other place, it must not be forgotten that it too is a part of parliament.

INQUIRY OF THE MINISTRY

On the orders of the day:

Hon. J. W. Monteith (Perth): Mr. Speaker, I would like to address a question to the Prime Minister. Is it true that the hon. member for Verdun paid a visit to Mr. J. S. Rockefeller on behalf of the government to see what amendments to the Bank Act might be proposed that could reconcile the differences of opinion existing between the Minister of Finance and the Minister without Portfolio?

Right Hon. L. B. Pearson (Prime Minister): No, Mr. Speaker.

Mr. Speaker: Order, please.

NATIONAL DEFENCE

OPPORTUNITY FOR COMMITTEE CONSIDERATION OF UNIFICATION

On the orders of the day:

Hon. D. S. Harkness (Calgary North): Mr. Speaker, I would like to direct a question to the Prime Minister. In view of the assurances of the Prime Minister and the Minister of National Defence that the defence committee would have full opportunity to look into the advantages or disadvantages of the proposed unification of the armed forces, with full freedom to call qualified witnesses before that committee, and in view of the fact that the Liberal members on that committee have now in effect applied closure, would the Prime Minister exert his influence on the members of his party to enable the full examination which he assured us would be possible to take place?

Right Hon. L. B. Pearson (Prime Minister): It seems to me, Mr. Speaker, that 37 meetings having already been held—and I believe 39 is the number of meetings which have already been called—ample opportunity has been given to discuss the matter.

Mr. Harkness: As a supplementary question, is the Prime Minister aware that only nine presentations have been made by witnesses who could be looked upon as being independent witnesses—

Some hon. Members: Oh, oh.

Mr. Harkness: —and would he—

Mr. Speaker: Order, please. The hon. member is now seeking to discuss proceedings in a committee which has not reported, and doing that is against the rules.

HOUSE OF COMMONS

POSSIBLE ACTION FOLLOWING THROWING OF PAMPHLETS ON FLOOR

On the orders of the day:

Mr. J. Chester MacRae (York-Sunbury): Mr. Speaker, may I direct a question to the Solicitor General. Is he yet in a position to advise whether he intends to lay charges in connection with the incident yesterday during which we were bombarded with pamphlets?

Mr. Speaker: Order, please. This is a matter which, with respect, does not fall under the jurisdiction of the Solicitor General.

CANADIAN BROADCASTING CORPORATION

REPORTS TO CORPORATION BY OFFICIALS HAVING COLOUR TELEVISION SETS

On the orders of the day:

Mr. E. Nasserden (Rosthern): Mr. Speaker, I wish to direct a question to the Secretary of

State. Do those people who have been issued colour television sets by the C.B.C. report from time to time to the corporation on C.B.C. programming?

Mr. Speaker: Order, please. The question certainly is not an urgent one, even if it were acceptable, and I suggest to the hon. member that it cannot be asked at this time.

[*Later:*]

Mr. Nasserden: Mr. Speaker, in regard to the question which I asked previously—

Mr. Speaker: Is the hon. member rising to ask a question or to raise a point of order?

Mr. Nasserden: On a point of order with regard to the question I posed to the Secretary of State. Surely we in parliament have a right to know whether or not the people who have been issued sets make reports.

Mr. Speaker: Order, please. I did not suggest to the hon. member that he is not entitled to the information. I suggested he could not ask the question at this time.

EXPO '67

CONTRACT WITH PRIVATE STATION FOR TELEVISING SPORTS EVENTS

On the orders of the day:

Mr. Thomas M. Bell (Saint John-Albert): Mr. Speaker, I wish to direct a question to the Secretary of State. Has a large, exclusive contract just been issued to a private Toronto station, I believe CFTO, in connection with Expo sporting events and, if so, what about the anomalous position of the C.B.C. with its $10 million television station at Expo?

Mr. Speaker: I wonder whether the hon. member suggests that this is a matter so urgent that the question should be asked at this time? I doubt very much that it is.

HIGHWAY SAFETY

REQUEST FOR FEDERAL SAFETY INSPECTORS IN AUTOMOBILE PLANTS

On the orders of the day:

Mr. Heward Grafftey (Brome-Missisquoi): Mr. Speaker, in view of the statement made within the last 48 hours by automobile workers saying that there have been cut-backs in safety inspection procedures at factories and in view of the number of recalls of defective cars recently, will the Minister of Industry consider seriously the automobile workers' recommendation, namely, that federal safety inspectors be stationed in automobile plants just as there are federal inspectors in shipyards and aircraft plants?

Hon. C. M. Drury (Minister of Industry): Mr. Speaker, I understand this particular question is under study by a committee of the house and consequently it would be presumptuous of me to anticipate what their conclusions might be.

Mr. Grafftey: Then may I direct a supplementary question to the minister. This statement was not made in the committee. It was made outside the committee. In view of the fact that it was made outside the committee, would the minister say whether he himself is seriously considering the proposition of having federal inspectors in automobile factories, just as we have in shipyards and aircraft factories?

Mr. Speaker: Order, please.

INDUSTRY

AUTOMOBILES—POSSIBLE TARIFF CHARGES IF PRODUCTION TARGETS NOT MET

On the orders of the day:

Mr. A. D. Hales (Wellington South): Mr. Speaker, I wish to direct a question to the Minister of Industry. As it is becoming clearly apparent because of the slump in car sales that the car manufacturers will experience great difficulty in meeting their production targets as laid down by the United States-Canada auto pact, is it the intention of the government to charge the manufacturers all the tariffs that would have been paid if it had not been for the automobile pact?

Hon. C. M. Drury (Minister of Industry): Mr. Speaker, as the hon. member points out, there has been a decline in the effective demand for new motor cars both in Canada and the United States. This does impose difficulties of a character which are greater than if the market were rapidly expanding. However, I have every hope that the Canadian manufacturers will be able to fulfil the terms of the order in council and the similar arrangements. To attempt to anticipate failure to do so on their part would, I think, be erroneous.

VETERANS AFFAIRS

ISSUE OF MEDALS TO FIREFIGHTERS WHO SERVED OVERSEAS

On the orders of the day:

Mr. R. A. Webb (Hastings-Frontenac): Mr. Speaker, I wish to direct a question to the Minister of Veterans Affairs. Would he kindly advise the house of his answer to the letter of March 1 from the corps of voluntary fire fighters?

Hon. Roger Teillet (Minister of Veterans Affairs): Mr. Speaker, I want to thank the hon. member for letting me know he would ask this question. Unfortunately I have not yet seen the letter to which he is referring. I presume it is in connection with service medals for the fire fighters and I would direct him to the answer I gave the Leader of the Opposition on February 20, which can be found at page 13213 of *Hansard.*

Mr. Webb: As a supplementary question, when the minister has an opportunity to read this letter would he give serious consideration to the striking of a centennial medal to honour the voluntary firemen who served in world war II?

FISHERIES

LOBSTERS—ENCOURAGEMENT OF DEEP SEA INDUSTRY IN NOVA SCOTIA

On the orders of the day:

Mr. Lloyd R. Crouse (Queens-Lunenburg): Mr. Speaker, I wish to direct a question to the Minister of Fisheries. In view of the findings established by survey crews from the fisheries research board's biological station at St. Andrews, New Brunswick, relative to the high yield of lobsters on the southeast corner of George's Bank, is the minister contemplating any changes in the lobster fishing industry in Nova Scotia?

Hon. H.-J. Robichaud (Minister of Fisheries): Mr. Speaker, the survey referred to by the hon. member is being studied and reviewed by officials of my department. I am not in a position to decide now if such a lobster fishery as referred to by the hon. member could be instituted this year.

Mr. Crouse: As a supplementary question may I ask, for the benefit of the inshore lobster fishing industry, whether the tagging process has established if the resource is dependent upon offshore stocks for replacement?

Mr. Speaker: I must confess I know very little about this tagging process but I doubt very much that this is a question which should be asked at this time.

REPORT OF COMMISSION ON INLAND FISH MARKETING

On the orders of the day:

Mr. Ed. Schreyer (Springfield): Mr. Speaker, I should like to direct a question to the Minister of Fisheries. Has the government to date given any consideration to the report of the royal commission on inland fish marketing? Can the minister say whether this matter has reached the determination stage?

Hon. H.-J. Robichaud (Minister of Fisheries): Mr. Speaker, the decision concerning implementation of the recommendations contained in this report comes under the jurisdiction of the Department of Trade and Commerce. I can inform the hon. member, however, that at least two and probably three meetings have already been held by officials of the federal government and representatives of the provincial governments concerned.

EXTERNAL AFFAIRS

INQUIRY AS TO MEETING BETWEEN PRIME MINISTER AND U.S. PRESIDENT

On the orders of the day:

Hon. Michael Starr (Ontario): Mr. Speaker, I should like to address a question to the Prime Minister. When the meeting takes place on March 8 between himself and President Johnson in Washington can the Prime Minister give us some indication what subjects will be discussed and whether the Mercantile Bank situation might be one of the subjects discussed at this meeting?

Right Hon. L. B. Pearson (Prime Minister): Mr. Speaker, the President has invited me to meet him. Naturally I shall be glad to discuss anything he brings up. He is the host and therefore I will leave the initiative to him.

Mr. Starr: Will the Prime Minister be consulting over the hot line to Jamaica prior to this meeting?

Mr. Pearson: I am unable to catch the import of my hon. friend's question.

Inquiries of the Ministry

SHIPPING

ST. LAWRENCE RIVER—ACTIVITIES OF ICEBREAKERS

On the orders of the day:

Mr. Robert McCleave (Halifax): Mr. Speaker, my question is directed to the Prime Minister. In view of the serious concern in the Atlantic ports, will the right hon. gentleman check to see whether the current icebreaking activities by 11 ships in the St. Lawrence are in accordance with the guide lines laid down by the Minister of Transport when he was in Halifax on December 3 on ports' day and on previous occasions?

Right Hon. L. B. Pearson (Prime Minister): Mr. Speaker, I will take the matter up with the Minister of Transport who will be back shortly from the Caribbean where he has been the guest of those countries which are celebrating their independence.

Mr. Thomas M. Bell (Saint John-Albert): Mr. Speaker, in view of the fact that the urgency regarding flooding seems to be over and in view of the mounting criticism in the Atlantic region which is spoiling the image of the Acting Minister of Transport in that area, will the Prime Minister call off the Acting Minister of Transport and stop all icebreaking activities over the week end until the Minister of Transport returns?

Mr. Pearson: I am anxious to do whatever I can to preserve the image of the acting minister, whoever he may be. I shall be pleased to take up the matter with him at once.

AGRICULTURE

LONG TERM LOANS TO EXHIBITION BOARDS

On the orders of the day:

Mr. J. E. Pascoe (Moose Jaw-Lake Centre): Mr. Speaker, I have a question for the Minister of Agriculture. When speaking in Lethbridge the minister is reported to have said that legislation providing for long term loans to exhibition boards for multipurpose buildings may be possible before the end of this session. Can the minister amplify these remarks and report in this regard?

Mr. Speaker: Order. The question which has been asked is not acceptable. I have tried to indicate to the hon. members that according to our rules an hon. member may refer to a statement made outside the house only to ask whether it reflects government policy, but the question must be directed to the Prime Minister.

[Mr. Pearson.]

Mr. Pascoe: This is a very urgent matter.

Mr. Speaker: Perhaps the Prime Minister might like to comment on it.

Mr. Pascoe: Then, I will direct the question to the Prime Minister. When speaking in Lethbridge the Minister of Agriculture is reported to have said that legislation providing for long term loans to exhibition boards for multipurpose buildings may be before the house this session. I should like to ask the Prime Minister whether this is likely to happen.

Right Hon. L. B. Pearson (Prime Minister): Well, it might be before the house this session if the session goes on long enough, but I think it is more likely to be considered later in the year because I hope this session will be ending very shortly.

[*Later:*]

Mr. Max Saltsman (Waterloo South): Mr. Speaker, I should like to direct a question to the Minister of Agriculture. Has he reached a decision regarding the granting of long term loans for exhibitions and fairs and, if so, what is that decision?

Mr. Speaker: Order. Certainly this question should be placed on the order paper.

BUSINESS OF THE HOUSE

INQUIRY AS TO ADDITIONAL LEGISLATION THIS SESSION

On the orders of the day:

Hon. Michael Starr (Ontario): Mr. Speaker, in view of what the Prime Minister said about the session can he now say how many more pieces of legislation the government intends to put on the order paper to be dealt with at this session, because four additional items already have been added?

Right Hon. L. B. Pearson (Prime Minister): Mr. Speaker, if we can deal with the items which now appear on the order paper, I think that would be a very good time to prorogue.

Hon. J. W. Monteith (Perth): I have a supplementary question, Mr. Speaker. Is the Prime Minister sticking to his target date of March 10 for the ending of this session?

Mr. Pearson: March 10 is next Friday. I think we would be very fortunate indeed if we completed the business on the order paper by next Friday, but it is not beyond the bounds of human possibility.

SPORTS

REQUEST FOR PUBLICITY FOR PAN-AMERICAN GAMES

On the orders of the day:

Mr. George Muir (Lisgar): Mr. Speaker, I have a question for the Prime Minister. In view of the millions of dollars being spent by the government to publicize Expo '67, would the government consider spending a proportionate amount to tell the nation there is also an important event taking place this summer in Manitoba, namely the Pan-American games?

Right Hon. L. B. Pearson (Prime Minister): I agree, Mr. Speaker, that this is a very important event as is indicated by the contribution of the federal government in terms of money. I would hope that we can participate with the provinces in the kind of advertising that may be required so that it will be as successful as I know Expo '67 will be.

LABOUR CONDITIONS

RETRAINING OF WORKERS LAID OFF BECAUSE OF AUTOMOBILE AGREEMENT

On the orders of the day:

Mr. T. C. Douglas (Burnaby-Coquitlam): Mr. Speaker, may I direct a question to the Minister of Manpower and Immigration. In a statement he made to the house the day before yesterday he gave some interesting information. I wonder whether he can fill in the details now or make a statement later.

Mr. Speaker: Order, please. Is the hon. member asking the minister to make a statement?

Mr. Douglas: I am asking the minister to give me some information now or take notice of the question. The minister told us of some 5,732 persons who had been laid off in the auto industry since January 1, 1966. I am asking the minister whether he can give us any information concerning how many of those persons who have been laid off have actually been placed in employment by his department. Am I correct in my information that the figure is something less than 300? Would the minister give us the information now or take the question as notice and give us the information later?

Hon. Jean Marchand (Minister of Manpower and Immigration): Mr. Speaker, I will take the question as notice and give the information later. I do not know the answer.

FINANCE

PROVISION FOR FEDERAL PAYMENTS TO PROVINCES

The house resumed, from Thursday, March 2, consideration of the following resolution—Mr. Sharp—Mr. Batten in the chair:

That it is expedient to introduce a measure to provide for the payment to provinces out of the consolidated revenue fund, for each fiscal year in the period commencing on the 1st day of April, 1967 and ending on the 31st day of March, 1972, of provincial revenue equalization payments and post-secondary education adjustment payments, and for each fiscal year commencing on or after the 1st day of April, 1967, of provincial revenue stabilization payments and succession duty payments; to authorize tax collection agreements with provinces and to amend the Established Programs (Interim Arrangements) Act to extend for an additional three years the interim period relating to the health grants program.

The Chairman: In accordance with the order of February 28 I do now leave the chair. The committee will resume its consideration of this resolution at two o'clock.

SITTING SUSPENDED

SITTING RESUMED

The committee resumed at 2 p.m.

The Chairman: Order. The house again in committee of the whole on a certain proposed resolution to provide for certain federal-provincial fiscal arrangements.

Miss LaMarsh: Mr. Chairman, I concluded the few remarks I had to make last evening with one exception. The hon. member for Burnaby-Coquitlam, who I expect will be in the chamber in a moment or two, asked me to provide certain information in the form of tables. I now have that information. I regret that I have only six copies, but if it is satisfactory to the committee I am prepared to table these three tables showing in the first two a comparison of fiscal allocations at present and as intended under the new scheme to each of the provinces. The third table relates to the basis of calculation of the proposed 1967-68 federal transfers in respect of post-secondary education costs. I am prepared to table these documents if that meets with the desire of the committee.

Equalization Payments to Provinces

Mr. Monteith: Mr. Chairman, perhaps the hon. lady will agree to having these included *in Hansard.*

Miss LaMarsh: I am very happy to do so.

The Chairman: It would be difficult to table these statistics at this time but it is possible to have them included in *Hansard,* if that is the committee's wish, as part of the minister's remarks.

Some hon. Members: Agreed.

[*Editor's note: The tables above referred to are as follows:*]

ILLUSTRATIVE COMPARISON OF FISCAL ALLOCATIONS UNDER PRESENT AND PROPOSED NEW ARRANGEMENTS AND FISCAL TRANSFER IN RESPECT OF POST SECONDARY EDUCATION COSTS

TABLE I

PRESENT ARRANGEMENTS 1966–67 (ESTIMATED)
(millions)

Provinces	Population June 1, 1966	University grants[1] $5.00 per capita (Interim arrangements)	TVT[2] operating and capital	Total allocations
		$	$	$
Newfoundland	0.5	2.2	1.1	3.3
Prince Edward Island	0.1	0.6	0.2	0.8
Nova Scotia	0.8	5.1	4.1	9.2
New Brunswick	0.6	4.0	3.4	7.4
Quebec	5.7	28.9	68.3	97.2
Ontario	6.9	33.4	63.7	97.1
Manitoba	0.9	5.1	4.8	9.9
Saskatchewan	0.9	4.5	4.5	9.0
Alberta	1.5	7.0	7.3	14.3
British Columbia	1.9	8.9	12.9	21.8
TOTAL	19.8	99.7	170.3	270.0

TABLE II

NEW ARRANGEMENTS 1967–68 (ESTIMATED)
(millions)

Provinces	Fiscal transfer[3] re post secondary education operating expenditures	TVT capital "Phase Out"	Total
	$	$	$
Newfoundland	7.7	0.8	8.5
Prince Edward Island	1.7	0.8	2.5
Nova Scotia	13.7	6.0	19.7
New Brunswick	9.5	2.0	11.5
Quebec	106.0	45.0	151.0
Ontario	112.7	40.0	152.7
Manitoba	17.8	5.0	22.8
Saskatchewan	15.6	7.0	22.6
Alberta	30.3	7.0	37.3
British Columbia	30.6	8.0	38.6
TOTAL	345.6	121.6	467.2

[1] Per capita grants in 1966–67 involve use of out of province student factor in calculating provincial allocations. The province of Quebec, under the interim arrangements, receives a tax abatement together with an adjustment grant, the total value of which is equivalent to $5 per capita.

[2] Does not include adult operating or capital expenditures under TVT programs.

[3] The value of the fiscal transfer in respect of post secondary education operating costs was calculated according to which was of greater value to a province: $15 per capita or 50 per cent of operating costs of post secondary education, as illustrated in the attached table. (III)

[Miss LaMarsh.]

TABLE III

BASIS OF CALCULATION OF PROPOSED 1967–68 FEDERAL FISCAL TRANSFERS TO PROVINCES IN RESPECT OF POST SECONDARY EDUCATION COSTS

($,000's)

Provinces	Estimated population 1	Estimated operating costs of universities 2	Other post-secondary estimated operating costs 3	Total 4	50 per cent of estimated operating costs 5	Value of $15 per capita 6	Amount of proposed fiscal transfer 7	Addition of technical and vocational training capital "Phase-Out" 8	Grand total 9
Newfoundland	515	4,935	1,807	6,742	3,371	7,700	7,700	800	8,500
Prince Edward Island	111	1,489	630	2,119	1,059	1,700	1,700	800	2,500
Nova Scotia	768	22,360	4,976	27,336	13,668	11,500	13,668	6,000	19,688
New Brunswick	634	13,295	2,939	16,234	8,117	9,500	9,500	2,000	11,500
Quebec	5,861	151,615	60,454	213,069	106,034	87,900	106,034	45,000	151,034
Ontario	7,045	179,586	45,909	225,495	112,747	105,700	112,747	40,000	152,747
Manitoba	971	29,035	6,631	35,666	17,833	14,600	17,833	5,000	22,833
Saskatchewan	965	23,471	7,766	31,237	15,618	14,500	15,618	7,000	22,618
Alberta	1,497	43,289	17,397	60,686	30,343	22,400	30,343	7,000	37,323
British Columbia	1,906	53,125	8,126	61,251	30,626	28,600	30,626	8,000	38,626
TOTAL	20,273	522,200	156,635	678,835	339,417	304,100	345,769	121,600	467,389

NOTES:

(1) Includes costs of post secondary courses of study in technical institutes, teachers' colleges etc, and of "senior matriculation" courses.

(2) The arrangement is that the provinces will receive the greater of columns 5 or 6.

(3) Column 7 indicates the amounts to be transferred to the provinces on the basis of estimated total operating expenditures. When actual expenditures are subsequently known, a final settlement will be made with those provinces to which the per cent formula applies.

Mr. Monteith: Mr. Chairman, last evening the Minister of Finance and the Secretary of State outlined in broad terms the contents of this resolution and the intent of the bill which will be before us at the conclusion of the debate on the resolution. I think this intent represents probably as important a step in federal-provincial relations as has been taken in this house for many years. As has been announced, this resolution and the bill to follow are the outcome of discussions with the provinces at a meeting last October between the Minister of Finance and his counterparts in the provincial governments. At that time major changes were proposed to the provinces and the Minister of Finance outlined them in the following words:

● (2:10 p.m.)

Major changes were proposed in the following fields: the occupancy of tax fields or tax sharing; provincial revenue equalization arrangements; provincial revenue stabilization arrangements; federal financial assistance in respect of post-secondary education; a new form of federal compensation to the provinces in respect of well established shared cost programs in the health and welfare field; and finally, a new federal program for the occupational training of adults in lieu of the technical and vocational training agreements which expire on March 31 this year.

The Minister of Finance suggested that there were certain principles which he had presented to the tax structure committee whose findings were subsequently presented to the federal-provincial meetings of finance ministers. Some six principles were evolved to guide the committee in its deliberations.

The minister also mentioned that the federal government maintained the following:

—that so long as provincial governments had access to sufficient tax fields and so long as provincial revenues were equalized fairly, the provinces should impose their own taxes to finance their own programs.

Certainly this is a most important statement with which I cannot disagree, but I would like to withhold judgment until I see the bill. The minister indicated last night that when the bill is before us he will give us information as to just what the net gain or loss will be to the provinces under the new arrangements. He also stated:

Instead of selecting certain taxes at given or standard rates and equalizing their yield to the level of the top two provinces, the proposed formula will take into account all provincial revenues, at average provincial rates, and will bring the revenue yield in all provinces up to the national average yield.

[The Chairman.]

Just what this will mean in dollars and cents remains to be seen. I cannot help but agree that it is a very important principle.

The Minister of Finance last evening and the Secretary of State today have put on record certain tables. Sufficient time has not been available to permit me to analyse these figures but they will be helpful when we study the bill in detail.

The Minister of Finance made a statement to the effect that the federal government now proposes to extend the stabilization provision to all provincial revenues and proposes to remove the five-year limit which has applied to the stabilization provision as well as to the equalization provisions. Stabilization is to be provided on a continuing basis as a protection to the provinces against sharp declines in revenue. I am wondering whether these agreements are to be in effect forever or to what degree they are subject to discontinuance by either party concerned. If they are to be extended beyond the five-year limit I wonder what the duration of that extension will be.

Mr. Prittie: Until a change of government.

Mr. Monteith: I can assure the hon. member for Essex East that he will not be around when this matter is discussed next because I doubt very much that he will be re-elected in that auto city of his. Last night the Secretary of State dealt with the post-secondary education adjustment payments. She outlined in some detail the way in which they would work and made the following statement:

I am sure I need not impress on the house either the crucial importance of this matter to the future of our country or the very difficult and complex problems posed in trying to deal with it.

I agree completely that it is of crucial importance. I would like to point out that practically everything that the Secretary of State suggested last night is merely an extension of the programs instituted by the government with which I had the honour to be associated. This matter is very complex and the tables contained in *Hansard* must be studied before we can come to any firm opinion. I can only suggest that we wait until we see the bill and I hope that we will be given some time to study it before being asked to debate it. I think it will be one of the most important matters before this house in this session and I hope that a reasonable length of time will be given us to examine the contents of the bill.

Mr. Douglas: Mr. Chairman, this resolution is a prelude to very important legislation, and the purpose of having a resolution stage is to allow hon. members to get all the information available in order to make a considered judgment on the legislation when it is presented. I must say that the amount of information we have so far is quite limited and I hope that before the resolution is passed the Minister of Finance will give us at least comparative statements showing the revenues which the provincial governments receive now under the present tax sharing arrangements as against the revenues they will receive under the legislation which the minister intends to bring down. I believe that such comparative statistics were available to the tax structure committee. Although the minister said last night that he wants to bring those statistics up to date, I think it is extremely important that we get those figures while we are at the resolution stage.

Mr. Sharp: May I ask the hon. member whether he has looked at the table which appears at page 13687 of *Hansard* where the final two lines show the comparison between the present and the proposed equalization payments?

Mr. Douglas: Yes, Mr. Chairman, I looked at those tables very carefully this morning but it seems to me that if the minister will look at the breakdown which we had when the previous tax sharing arrangements were before the house he will see that it was much more detailed. If we could have it in that form I think it would be extremely useful.

• (2:20 p.m.)

The matter which must concern the house, Mr. Chairman, is what the long term effect of this legislation will be, not only with respect to the ability of the federal government to discharge its responsibilities but also the effect it will have on the ability of the provinces and municipalities to discharge their responsibilities. In his statement last night, as recorded at page 13681 of *Hansard*, the minister set forth six basic principles with which I am sure no one could disagree. However, the minister did not demonstrate the extent to which the measures he is proposing will give effect to the principles he enunciated.

By way of illustration, I will refer to the first principle. The minister stated that the fiscal arrangements should give both the federal and provincial governments access to fiscal resources sufficient to discharge their responsibilities under the constitution. I must say that from the minister's statement last night I am far from convinced that the provinces and municipalities can discharge their responsibilities within the terms of the tax sharing arrangement which the minister announced.

I understand that the tax structure committee prepared some figures which indicated that by 1972, on the basis of a 7 per cent annual rate of growth in the gross national product, the federal government will have a surplus of $727 million but the provinces and municipalities will have deficits of $2.1 billion. It is suggested also, predicated on a 6 per cent annual rate of growth in the gross national product, that by 1972 the federal government will still have a small surplus but that the provinces and municipalities will have deficits of $2.4 billion. If these compilations have not been produced by the tax structure committee I hope the minister will give us what their estimate was when he presents the legislation or before we close the debate on this resolution. If these figures are correct, what they really mean is that the provinces and municipalities are now going to operate within a very restricted fiscal framework.

The provinces will have three alternatives. One will be to cut services. The second will be to raise other taxes which are outside of the agreement. The third will be to do a great deal of deficit financing by borrowing. I think any one of these proposals would be disastrous for Canada. It seems to me, Mr. Chairman, that while as members of parliament we are primarily concerned with the financial problems of the government of Canada we cannot for one moment be indifferent to the welfare of the provinces and municipalities. After all, if the provinces and municipalities are unable to discharge their constitutional responsibilities with respect to education, health, welfare, roads and industrial development, then no matter what the federal government does Canada will not prosper and grow at the rate which might otherwise be the case. Therefore, in examining this legislation when it comes before us we must be concerned with the overall effect on all three levels of government of these tax sharing proposals.

I am concerned, for instance, about the decision to include all provincial revenues in the determination of the equalization payments. I think this can work to the great disadvantage of some areas of Canada and can produce great inequalities in the equalization formula. I am concerned that it is being predicated upon the average income

for Canada rather than bringing the provinces up to the level of the highest province or at least to the average of the two highest provinces. It would seem to me we are making a retrograde step by saying to the provinces, we will only bring you up to the national average. If we are going to have equality of opportunity for people in all parts of Canada, if we are going to remove any disparity between Canadians in different areas, surely we ought to average the equalization payments to the highest province in Canada and not to the national average.

We will want to examine these proposals more closely when the legislation comes before us. I think the reference to assistance to post-secondary education is a very necessary step and a very welcome innovation. I am sure the provinces must be concerned, as we must be concerned, about the fact that what the Lord giveth the Lord taketh away. While the government is proposing to give greater assistance to post-secondary education, it is proposing to discontinue its grants with respect to technical and vocational education. We will want to go into that in detail to see what the net effect is for the provinces.

Miss LaMarsh: It is a long phase-out.

Mr. Douglas: The minister says it is a long phase-out. This is true, and that is what worries me about it. The provinces might be induced to accept a program which may be slightly more beneficial this year and next year, but we have to take the long view. If the figures I quoted earlier are correct and by 1972 the provinces and municipalities will be deeper in debt as a result of these proposals, then of course a long phase-out will not meet their problems.

The other thing that concerns me is that the provinces are being asked to accept responsibility for some of the shared cost programs in return for tax abatements. These shared cost programs have escalated in the past and, in my opinion, over the next 10 or 15 years will escalate in almost goemetric progression. Any province getting into difficulty with programs like hospital insurance, medicare or the old age assistance program will have no alternative but to cut back these programs. The federal government may feel comfortable in that it has washed its hands of responsibility by giving the provinces certain tax abatements. But if, Mr. Chairman, they cut these programs back we will have lost the measure of national social security which we provided when we instituted programs like national hospitalization and which we hope will obtain when medicare comes into effect.

• (2:30 p.m.)

Therefore, Mr. Chairman, there are a great many questions that have to be answered before we can give our support to these tax sharing proposals. I am hopeful that when the ministers make their speeches on second reading of the bill we will have a greater amount of detail to enable us to make a better comparison of the projected revenues which the provinces can anticipate under the legislation compared with what they could expect to receive under the existing tax sharing arrangements. I think some of the suggestions made by the ministers will undoubtedly make for improvement, but I am very fearful that we are manoeuvring the provinces into an inflexible taxation framework which will have the result of restricting their ability to keep pace with the growth of the Canadian economy and to meet the increasing demands of their people and of the times in which we live. Therefore, Mr. Chairman, we will look forward to the statements which will be made by the ministers when the bill is brought forward, and at that time we will be able to deal more exhaustively with the proposals which are being placed before us.

Mr. Olson: Mr. Chairman, the resolution before us, as has been stated, deals with renewing and in some cases changing the tax sharing arrangements between the provinces and the federal government. A very cursory examination of the remarks made by the two ministers last night as well as of the resolution indicates that probably this is all that can be done at this time owing to the fact that no agreement was reached between the two levels of government at the conference held on this subject last fall as to the future arrangements.

In looking over some of the proposals that the federal government has offered the provinces—and this aspect took up a very large portion of the minister's statement last night—it seems to me that there are some serious inequities which are now coming home to roost. Unfortunately we are now going to be asked to perpetuate some of them. For example, I should like the minister to explain why it is that in the table on page 13687 of *Hansard* showing the yield at national average province revenue rate for the other 12 revenue sources there is included an item of $93,083,000 in general sales tax for the province of Alberta. The province of Alberta does not have any such tax.

I have known for some time that the federal government has assumed that the province of Alberta does have access to revenue from a sales tax. It seems to me that there is something fundamentally wrong with so-called federal-provincial relations when the federal government assumes that a province has a revenue in respect of which in actual fact there is no provincial legislation. That is not to say, of course, that if it so wished the province of Alberta could not impose such a sales tax. It so happens that under the constitution of Canada the provincial legislatures have the right to say whether or not they are going to impose this, that or any other tax. Yet in this table it is claimed that the province of Alberta has a revenue source of $93 million by way of sales tax.

I think we have reached a pretty serious situation so far as federal-provincial relations are concerned, when the federal government now uses federal money as the basis for requiring or prodding provincial governments to levy certain taxes. I had hoped that this was not going to be the attitude of the federal government, but obviously it is. Therefore we will have to do what we can to keep the federal government within its own area of jurisdiction and see that it treats all provinces essentially the same.

As the hon. member for Burnaby-Coquitlam has pointed out, we have no disagreement with the principles underlying the federal proposals for new tax sharing arrangements; there is no question of that. I am not going to refer to them because they are well known to the members of this house as well as to the provincial governments. However, there are some other matters which have been introduced recently into the tax sharing arrangements which form the basis of the program and which in my view are completely unacceptable.

We know that when the equalization payments were formulated a number of years ago there were only three tax bases—personal income tax, corporate income tax and succession duties. This was changed by the former Conservative government in 1961 and resource revenue was included as a fourth basis. There has never been any satisfactory explanation for this inclusion except the penalizing of the government of Alberta. That the federal government certainly did, because the province of Alberta was penalized by approximately $30 million to $40 million a year as a result of the inclusion of this particular form of revenue in the calculation of the equalization payments.

It has always seemed strange to me, Mr. Chairman, looking back to that period, that there were 17 Conservative members out of a possible 17 from the province of Alberta at that time and not one of them stood up in the house and defended the people they represented notwithstanding the fact that the change was going to cost them millions of dollars every year. I do not think we can lay all of the blame on the present government when it was the previous government which introduced that change. However, the present government certainly should have seen the inequity in this kind of arrangement and remedied it.

This government did not introduce any other additions to the tax base. They did not include, for example, the retail sales tax which many of the provinces had in effect at the time. That source of revenue was not used to calculate the equalization payments. Even the province of Saskatchewan is now reaching the point where the inclusion of resource revenue is starting to hurt them. In fact, a few weeks ago the premier of Saskatchewan said that the new arrangement is a cruel blow to his province. He had expected something like $35 million, I believe, in 1967 in equalization payments, but according to the table that has been put before us Saskatchewan now moves out of the "have not" class into the "have" class and does not get one cent. Conservative members might well go back to 1961 to find out what originated the arbitrary inclusion of resource revenues in the tax base. It is there, Mr. Chairman, and it is unjust. It is even more unjust now because the federal government is assuming that Alberta has a sales tax when it has not.

• (2:40 p.m.)

I submit that there are many injustices in this whole arrangement. I am hoping that we will have further federal-provincial agreements concluded or federal-provincial conferences held very soon to straighten out some of these injustices and to treat all provinces in Canada and all citizens of those provinces equally. It is about time we realized that some of the revenue produced in Alberta and British Columbia has been from the sale of capital assets. These sales will not be repeated year by year to bring additional revenue. Yet these sales of assets are treated as things which ordinarily produce revenue. Not all provinces do that sort of thing.

I now wish to turn to the statement made by the Secretary of State with respect to future federal contributions to be made to post-secondary education. I will not go into details but I have discussed this matter with people interested in the subject.

A number of things bother me, the most important one being the matter of definitions. What kinds of costs or expenses will these grants be paid for? The minister last night said something about costs being paid with respect to students who have achieved junior matriculation level. The government will be prepared to pay $15 per capita for education beyond that level. The whole question is fuzzy. What is junior matriculation? At the moment in Alberta junior matriculation is reached at the end of grade 11. Is that what the minister has in mind? If I understand correctly, junior matriculation is the point at which young people may leave high school. Could the minister expand on this point?

It seems to me that post-secondary education ought to be defined in a more satisfactory way than by saying it is education after certain scholastic standards are reached. The program should apply to vocational and training institutions as well as to universities. The government could pay up to 50 per cent of the operating and capital costs of these institutions. That would be easier than trying to pay the money to individuals or on their behalf after they have attained a certain scholastic standing.

I am greatly concerned about high school drop-outs. Those who do not have junior matriculation often need to go to vocational training institutions, of which there are many in this country. High school drop-outs have as much right to grants and financial assistance from the federal treasury as those attaining junior matriculation level.

If I interpret what the minister has said there will be no provision in the bill for students to attend vocational and technical training schools unless they have their junior matriculation. In many provinces junior matriculation level is not attained until students are in grade 12. In one or two provinces they do not attain that level until grade 13.

One of the major problems is that those who drop out of high school, often without junior matriculation, will not be able to attend a technical or vocational training school and those young people are the very ones who will be found on the unemployment rolls.

Item No. 134 on the order paper is a resolution providing for the training of adults wishing to undertake occupational training. But conditions are attached. They must have entered the labour force and they must have been unemployed for a long period before they can qualify for assistance under this proposal.

The Secretary of State and the Minister of Finance would be well advised to try to reach agreement with the provinces to pay 50 per cent of the costs, or whatever the figure may be, for vocational training schools rather than going through the complexities of ascertaining the scholastic standing of students and making the payments on the basis of their standing. I presume this argument has been advanced previously to the Secretary of State. If it has been rejected I should like to know why. Why are we becoming involved with students rather than with schools?

The problem must be met in one of two ways. The provinces will have to assume the full financial responsibility for training young people who do not reach junior matriculation standards or, alternatively, the young people will have to leave school, enter the labour market, be unemployed for a long period and then receive help from the federal government. The latter course is not desirable.

The vocational and technical training program is useful. Among other things it has provided much of the capital for building such schools. I can perhaps exonerate myself in the eyes of the Conservative party by paying a tribute and saying that this was their program. It has been appreciated and has done at least all it was intended to do and perhaps more. But now it will be phased out. Technical and vocational training schools, at least in Alberta, train young people who have dropped out of high school. They give them the kind of training to fit them to find their place in the labour market.

Taking the two resolutions together, it appears that there is a serious gap in federal contributions to a particular group of people needing financial assistance. I hope the minister will explain why this way of doing things has been chosen. Why has the government not chosen to pay 50 per cent of the cost of operating technical and vocational training

schools? We shall await the bill to see what details are proposed and will have more to say about some of the details. I conclude by hoping that the minister will explain some of the points I have raised.

Mr. Cantelon: Mr. Chairman, it is impossible to sit here and let the statements of the hon. member for Medicine Hat go unchallenged. I wish to make cursory comments about the resolution before us. I agree with what has been said. It is essential that we have sufficient time to study the bill. I agree that this bill will be one of the most important that we shall pass this session, and it will be most unfortunate if we do not have adequate time to study it seriously and to present arguments on it.

I am most concerned about the comment of the hon. member for Medicine Hat that the provinces will suffer serious losses under the equalization formula. Saskatchewan strenuously objects to these changes. In fact, the premier of Saskatchewan on going home seemed to feel that his province had received a very dirty deal indeed. The members from Saskatchewan in this house share his feelings. Saskatchewan may be a "have" province today. Everyone knows that the economy of the province is to a great extent founded on the wheat crop and in one year the situation in that province could change so drastically if there were a really bad crop failure that the province would be in serious difficulties under the arrangements now to be made. We shall, of course, know better when we have the bill before us.

• (2:50 p.m.)

The hon. member for Medicine Hat stated that in 1961 the policy which the present government is pursuing was started by the former government. I think he forgets that in 1957 and 1958 the Progressive Conservative government then in power greatly increased the equalization grants, and I know full well that during those difficult years the province of Saskatchewan could not have balanced its budget but for the large increase in equalization grants. I know too, from my interest in education, that it was these equalization grants more than any other factor which enabled the province to improve its educational facilities during those years. At that time and for some years earlier the teachers' organizations had been pressing for direct assistance to education. But it was impossible to get anywhere along those lines, and we know that the equalization grants made by the federal government were intended in large measure to assist in overcoming the difficulties encountered in the field of education. They fulfilled that function.

The radical changes which are about to take place will, I believe, hurt education more than any other government activity, particularly if, as seems likely in the future, the federal government disposes of a surplus of revenue while provincial and municipal governments face deficits. I fear we shall find that education, which does not appear to produce any immediate tangible benefits, will suffer most. As I said many years ago, a community can see the direct benefits which it derives from a road but it is more difficult to see the benefits it derives because its young people have gone through secondary school and then to university before working for this nation in the wider scene, particularly if not many of these students return to work in the community from which they set out. This being the case I have a feeling that the change now proposed will hurt education more than any other service.

I welcome the suggestion that assistance should be given to post-secondary education. But assistance of this kind is needed less than the assistance which I feel should be given to secondary and even to public school education. What is causing the greatest difficulty is the enormous expense of building schools and the financial burden which rests on the municipal governments in this connection. I am sorry that the government has not found some way of assisting the provinces to carry out the large building programs which face them in this field. I think a way could be found and I believe that such assistance would be welcomed more than any other which could be given to the provinces. There is a real need in all the provinces for such aid.

In my own province of Saskatchewan the minister of education has, according to newspaper reports in recent days, completely revised the way in which the vocational education program is to be carried out. I wonder what effect the changes now contemplated will have on these plans. What lies ahead if the grant is to be changed so radically and if there is to be a gradual phasing out of the vocational education program?

Some provinces have made very little use of the vocational education program though others, like Ontario, have made tremendous use of the grants available in this field. In the more industrialized provinces communities are sufficiently large to make it relatively

easy to establish large schools. But in my own province, for example, there are few large communities and consequently there are few places where vocational education can be carried out as was intended by the legislation. This does not mean that modifications could not have been made to enable such provinces to take advantage of these grants. I fear that the revision which the government of Saskatchewan is trying to carry out now will be seriously hampered by the changes now proposed.

With these cursory and superficial comments, I wish to say once again that I hope we shall have sufficient time to study the bill adequately in order that proper presentations may be made with regard to it.

Mr. Prittie: Mr. Chairman, this resolution, item No. 135 on the order paper, is similar in one respect to the resolution which precedes it, item No. 134. Both flow from the federal-provincial conference of last October on tax sharing. So some comments could be made at this time which would apply to either of these resolutions.

On October 31 following the conference the Minister of Finance made a statement in the house on government policy. At that time, speaking for this party I expressed both praise and blame for the stand the government was adopting. I congratulated the government upon recognizing that there is a role for the federal government to play in the field of adult education. The resolution in the name of the Minister of Manpower and Immigration with which we shall be dealing shortly seeks to implement that part of the policy. I went on to express great regret that the federal government had decided to cease financing university, technical and vocational education or at least to withdraw from this field in a formal way. The minister announced he intended to transfer certain percentage points of personal and corporation income tax to the provinces and make certain other payments to compensate for the lost grants, and this is what the resolution before us is about.

I felt then that the federal government was moving in the wrong direction. It has agreed that certain persons who have been out of school for at least three years and who are on the labour market and need retraining may receive federal assistance. But people who do not find themselves in this position cannot receive any assistance if they are within the educational system. It seems to me that an artificial line has been drawn.

[Mr. Cantelon.]

• (3:00 p.m.)

On other occasions I have talked about why the government has taken this decision. It seems to me it is quite different from the type of policy toward formal education developed over the past several years by successive governments. It is quite different from the policies of co-operative federalism developed by the present government since it took office in 1963. Unless it is taking a very doctrinaire approach, as I understand it, I think the government has been persuaded by certain of its supporters, notably the Minister of Manpower and Immigration, the hon. member for Hochelaga and the hon. member for Mount Royal, that this is the course it should follow, that Quebec should not be treated differently from the other provinces and if Quebec objects to federal involvement in technical and vocational education and in university financing, then the government should withdraw from that field so that all the provinces may receive the same treatment.

This is a very doctrinaire approach. It is a step backward. So far as I know, no real objections have come from the other provinces about federal assistance to university financing or about technical and vocational financing. In fact, some of the provinces jumped eagerly into the program of technical and vocational financing introduced by the previous government in 1959 or 1960. In the light of that I have to conclude that the objections come from Quebec. Because of the government's fear that Quebec will receive treatment different from that given to the other provinces it has advocated this new policy of all the provinces receiving the same treatment, and therefore it will pull back from some of the areas which it has occupied.

Not long ago I disputed this line of thinking. I see nothing wrong in giving a province special treatment if it requires such treatment because of its particular characteristics or background. When I spoke earlier I mentioned the case of the United Kingdom, which is made up of England, Scotland, Wales and Northern Ireland, each with its own national characteristics. Quite frequently Westminster passes laws which have written into them a clause saying that the law shall not apply to Northern Ireland or Scotland. Indeed, Scotland has its own educational system. If a particular group in Canada in one province requires special treatment, let us recognize that fact and provide for it, but let us not

stop doing things which are in the national interest simply because one province objects.

The announcement made in October was a complete reversal of policy. It was quite different from the type of policy advocated during the past few years by such members of the government as the Minister of Energy, Mines and Resources and quite different from the policy enunciated by the Secretary of State in speeches she made during the past year. In this connection I wish to quote briefly from one speech she made at Niagara Falls on March 27, 1966, when she said:

> Universities, it might be said, are also provincial institutions. But they are distinct from kindergartens and high schools in that they are also places of scholarship, of research, of learning. And, as the Prime Minister has put it, "learning knows no boundaries. It's nature is such that it must extend as wide as all human experience; outward, indeed, into matters beyond direct human experience."

In another paragraph she said:

> This question of "learning" is a truly national one and, as such, must be of real concern to the federal government.

She also quoted from the Bladen report as follows:

> Federal support does not automatically mean federal control. The federal government does not control higher education today although it contributes to its revenues. The cultural distinctiveness of Quebec and the rights of that province to fashion its own university system are well recognized. But it is pointed out that the problems of all universities, whether English speaking or French speaking, are similar. All universities need far more funds than their provincial governments can provide.

She went on to point out that in line with the Bladen commission recommendations the government was increasing its grants to universities, and she also mentioned the role that the federal government was playing in technical and vocational education.

I do not think the government has achieved very much by this policy change because by even taking unto itself a role in the field of adult education it is still going to meet with objection from Quebec. Undoubtedly this is something which will come up when the next resolution is discussed but I wish to mention it briefly now.

According to an article by Claude Turcotte from Quebec city in yesterday's *La Presse* several senior officials of the Quebec government came to Ottawa to meet with the federal deputy minister who deals with education. They included Claude Morin, deputy minister of federal-provincial affairs, Arthur Tremblay and Yves Martin, deputy ministers of education, and Fernand Jolicoeur of the Quebec department of education. The article suggested that they were concerned about the provisions of the bill which the Minister of Manpower and Immigration is going to introduce to deal with adult education, and went on at one point to mention the possibility of another Trojan horse. I suggest that even in this field it may be necessary to make special arrangements with Quebec because it will not be satisfied with the federal role in adult education.

The whole point of all the speeches I have made on this subject is that we need national concern for post-secondary education. We will not achieve that if the federal government withdraws from the field even though it transfers certain funds to the provinces for that function.

We in the New Democratic Party are often accused of being very doctrinaire. In this instance it seems to me that the government is being doctrinaire. It has been sold a particular doctrine. I notice the hon. member for Hochelaga is in the chamber and I would like to hear from him on this subject, either on this or on the next resolution or on the two bills when we reach them.

[*Translation*]

Mr. Laprise: Mr. Chairman, on the examination of this resolution, I should like to take the opportunity to make a few brief comments on education, a field in which the federal government is trying to intervene by every possible means.

• (3:10 p.m.)

As everyone knows, the province of Quebec keeps a jealous watch over its prerogatives in a field which, according to the constitution, belongs to the province, namely education. I was surprised, although it is true that I examined only briefly the statements made yesterday by the Minister of Finance (Mr. Sharp) when he said that the declarations of the Minister of Finance of Ottawa were not very compatible with the views of the hon. prime minister of Quebec on education. In a few minutes, I will put a question to the Minister of Finance with respect to a statement he made which surprised me very much and even left me puzzled. I am making specific reference to a statement he made concerning education and the rights of the province of Quebec.

Mention was also made of the fact that the province of Quebec seemed to be asking for favours as regards education. I suggest that

the province of Quebec is not looking for favours in this field; it is only asking for that which belongs to Quebec as a matter of right. In this regard, I feel that the right to levy taxes should be left entirely to the province of Quebec, and this, precisely to enable it to deal with education. We should not be surprised to see Quebec going forward in various other fields. This is due to inaction in Ottawa. Might I point out, incidentally, that Bill No. 33 was introduced recently in the Quebec legislature. By so doing, Quebec wanted to serve the interests of the province, again because the federal government does not act according to the interests of the province of Quebec, not to the detriment of the other provinces, but in the interest of Quebec.

There is another field, that comes to my mind, in which Quebec is taking a stronger attitude, that of the C.B.C.. In Quebec, there is a great deal of talk about setting up a provincial corporation, because the C.BC serves the province poorly. I know what I am talking about because my own riding, where some people pay huge amounts in federal taxes, does not get any service from the C.B.C. As far as programming is concerned, I think that there again Quebec has something to say and it would not be surprising if before long something were heard in that respect.

Mr. Chairman, I do not intend to say more at the resolution stage. I hope the minister will make a more elaborate statement when the bill is introduced. We will have the opportunity to study the figures given by the minister during yesterday's debate.

Now, about the statement he made yesterday and which is found on page 13,682 of *Hansard*, left-hand column, I would like the minister to tell us exactly what he meant when he said:

> Only when parliament was prepared to acknowledge the exceptional priority of some provincial programs of expenditures—

And there, I am wondering why the federal government should approve the decisions of the province of Quebec in the field of education. And he added:

> —should the federal government recommend that taxes should be imposed or federal expenditures reduced for the purpose of financing a federal contribution toward provincial expenditures.

Mr. Chairman, that statement puzzles me and worries me greatly, because I do not think it is reasonable that the parliament in Ottawa, the federal government, should have anything to say in the decisions of a province, or the province of Quebec, in the field of education. I hope the minister will clarify that matter.

[Mr. Laprise.]

[*English*]

Mr. Orlikow: Mr. Chairman, to me as well as to other members of our party it is extremely disappointing, despite all the evidence from every part of the country that the federal government must become more and more involved in the whole matter of education and manpower training if we are to utilize fully to the best possible degree the manpower resources of this country, that we are faced here and in the resolution with which we shall be dealing next with a proposal by the federal government to get out of an increasingly important aspect of manpower training, the field of technical and vocational education.

I must admit that I find this decision by the federal government completely incomprehensible. Every agency, public and private, which has looked at this problem has been urging the governments of Canada and the provinces, as well as the people of Canada, to pay increasing attention to technical and vocational training and to endeavour to get more young people to take the courses. In the face of this, in the face of quite impressive results based on the program that was begun by the former government under the former minister of labour, the hon. member for Ontario, and in the face of the expansion of the program by this government which has worked well—if it has failed it is only because it has not been extended far enough—we have a decision by this government to vacate the field.

It is true that the provinces are promised some further percentage points in terms of income tax abatement so that they will hold the line where it is now, as proposed by this government. The federal government has expended a substantial amount of money in this field. I have received a table from the Department of Labour which shows just what has been done in the field of capital projects for technical and vocational training under the agreements between the federal and provincial governments from April, 1961 to March 31, 1966. The federal government spent just over $620 million. The province of Ontario took $300 million. The province of Quebec, despite the fears of some hon. members on both sides of the house that it was not quite constitutional, took over $117 million. The province of British Columbia took $52 million and the province of Manitoba, to

my regret, took under $12 million. The expenditure of this money, however, has acted as a spur to the provinces to invest money of their own because they have to share in the expenditures.

In every province in Canada excellent and impressive technical and vocational schools have been built. An excellent job has been done. We ought to have more; we need more. In the face of this need what do we have here? We get the announcement of the government in this resolution that they are leaving this field to the provinces. Yesterday the Minister of Finance was pretty careful. It is difficult to pin down the fact that this is what the federal government is doing. If hon. members doubt that this is what the federal government is doing, I should like to refer them to a statement made by the Minister of Manpower and Immigration to the federal-provincial conference on October 25, 1966. I should like to put a few sentences from this statement on the record because I think in that statement he made very clear what the government is proposing to do. I will be as brief as possible in summarizing his statement. He said:

> We are determined to get out of shared cost programs in education ... for us to be involved in the school system in the name of technical and vocational training inevitably introduces distortions ... increasingly your decisions—

Meaning the decisions of the provinces.

> —as to what to do are influenced by a natural desire to get as much as possible out of the programs of which we will pay 50 per cent.

I think that is true and I think it is a good thing. The fact that the federal government has spent $620 million, which amount has been matched by the provinces, has given us the beginning of a technical and vocational school system for the first time in this country. For too many years 90 per cent of our students could not attend university because they could not afford to and were thrown out on the labour market without even the most minimal educational training to fill the available jobs. This program, which the former government initiated and this government has continued, for the first time is turning out individuals who will not attend university but will have the understanding and knowledge to fill jobs in our modern industrial society. Having accomplished this the government is now saying that it intends to throw the whole thing down the drain and let the provinces continue on their own.

• (3:20 p.m.)

As the leader of this party said a little while ago, you cannot divide the taxpayers, and when the government gets out of this program as this resolution proposes the provinces are going to have to pick up the tab. It makes little difference whether the individual pays taxes to the federal government, a provincial government or a municipality. When this program is abandoned by the government something else will suffer.

I am afraid that many provincial university building programs designed to meet the flood of students who will be attending universities in the next ten years will have to be scaled down because the provinces and local municipalities simply do not have the money to do everything that is required in this field of education.

Mr. Douglas: They are not even retraining the auto workers.

Mr. Orlikow: As my leader has pointed out, the minister a couple of days ago said that the problem in Oshawa of trying to find jobs for displaced auto workers is aggravated because there are not sufficient facilities to train these displaced workers. I presume they should be provided by the provinces but they are already strapped for money.

The minister is saying that the federal government is going to get out of the field of technical and vocational training. That is nonsensical, to put it mildly. The Minister of Manpower and Immigration also said in his statement of October 25:

> So, unless you are prepared to argue that we should have the permanent influence on your programs that shared-cost arrangements give us, I suggest that you must accept the principle of our withdrawal.

That is precisely what I intend to argue about because the federal government not only has the right but the responsibility to continue this kind of program in order to assist all provinces, particularly the poor ones. It has a responsibility to continue and extend this kind of manpower training program. While it may be possible for the province of Ontario or the province of British Columbia to finance their own programs, surely no one here would suggest that the province of Newfoundland or the province of New Brunswick could find the money required for this kind of program.

Because of the kind of mobility we now enjoy people from the "have-not" provinces such as Newfoundland and New Brunswick

move to cities such as Toronto, Hamilton and Oshawa where they find it almost impossible to obtain work because they have not got the educational requirements to fill highly skilled jobs. It makes no sense at all to me to have a federal program which encourages the provinces to enter this kind of training plan alone but waits to help finance the training of these poorly educated students until they become unemployed workers. It makes no sense at all that we are prepared to assist in financing adult training programs but will have nothing to do with training programs of a technical and vocational nature for young people who are still attending school.

The Canadian Labour Congress at its convention in April, 1966 looked at this question very realistically and hard-headedly. In their statement on economic policy dealing with technological change in manpower policy they outlined a series of nine steps which the government should follow if it is to have an effective manpower training policy. I do not intend to read them all but I should like to refer to two.

The first suggestion was that we require a nation-wide network of adult training centres to retrain men and women for new jobs requiring greater or different skills. That is precisely what the minister proposes through the next resolution we will consider. The second suggestion is that we should have a massive program of technical and vocational training for adolescents and pre-employment youth to prepare them for the kind of labour market they will face on leaving school. Obviously these two things go hand in hand; yet the government is prepared to assist financially in programs for adult retraining but is not prepared to help finance the training of young people still attending school. It seems to me this is not only wrong in principle but that it is foolish if not idiotic.

It seems obvious to me that it is cheaper, better and more efficient to train young people while they are still living at home, because the only real cost is the cost of building schools, maintaining them and paying the teachers, than it is to wait until they are adults and unemployed. At that time we must pay not only the cost to build the schools, maintain them, pay the teachers and buy the supplies required but also pay living allowances or moving allowances and a whole host of other expenses.

Today during motions the minister made a statement about an extension of the government's program for manpower and mobility.

[Mr. Orlikow.]

Like all members of the house I greeted it with approval but is it not obvious that it is better to provide training when people are 15, 16 or 17 rather than when they are in their 20's, 30's or 40's? I find it completely impossible to comprehend why the government would take this basically retrograde step. My colleague the hon. member for Burnaby-Richmond hit the nail right on the head when he said what is involved here is not a matter of principle or basic philosophy in terms of education and manpower training but rather the feeling, particularly in the province of Quebec, that under the provisions of the B.N.A. Act the provinces have the sole right to make decisions in respect of education.

• (3:30 p.m.)

I respect the status of provinces and the feelings of the people of Quebec. The provinces must maintain their authority; but I do not believe that it is impossible to work out an agreement with the provinces in this field. I do not believe it is impossible to work out an agreement with the province of Quebec, which feels more strongly on this question than any other province. After all, the province of Quebec has agreed to accept federal financial assistance to maintain the universities of that province. Under the present agreement with regard to technical and vocational training it has accepted, as I mentioned earlier, $117 million for the building and maintenance of technical-vocational institutes. I do not believe that the province of Quebec cannot be persuaded to participate with the other provinces in a joint federal-provincial plan for technical-vocational education.

It may be that the way in which the province of Quebec will get its money will be different from the other nine provinces. That would not worry me at all because I believe—and I am certainly no expert on Quebec—that the province of Quebec is not quite like all the other provinces in this country. I do not say that in a critical manner but I believe it to be a statement of fact. I do not think this creates any insoluble problem for this country if it wants to solve its problems.

It seems to me that the difference between the province of Quebec and the other nine provinces could have been worked out and even now could be worked out. The government, in this resolution and in the bill which will be brought forward following passage of the resolution, is taking a retrograde step which not only will we all regret but which will have a very serious effect on the lives of

the next generation in all parts of Canada. It is one which I personally regret a great deal.

Mr. Macquarrie: Mr. Chairman, as has already been said, this is a very important resolution. I confess, and I am not alone in this feeling, that it is somewhat difficult to understand. I recall the injunction of the Minister of Finance that we must read these documents carefully, thoroughly and for a long time before we expatiate thereupon. Of course it is not at all new for the parliament of Canada to be dealing with measures which change the fiscal relationships between the provinces and the dominion. This has been done ever since 1867. I am always amused by people who talk about the B.N.A. Act as being a rigid and inflexible document. If one were to look at the changes in subsidies which have been written into the document he would see that on certain matters it has been frequently altered, and in every case this was essential.

The hon. member for Winnipeg North said that Quebec is not a province like the other provinces. Let me say that there is no province that is like any other, and at times all provinces have had to make special arrangements and have their special needs recognized.

A resolution of this kind is in large measure an emanation from a dominion-provincial conference and therefore we are suffering, as we have suffered in recent months and years, from insufficient information as to what goes on at these gatherings. I think we will have to develop some method whereby what is transacted at these gatherings is more fully and widely known. I have even seen the occasion when provincial ministers have come back from Ottawa and their stories as to what went on there did not correspond, or to be more mundane I might say that their stories as to what they got there did not correspond. I would suggest that this is certainly one area which will produce more dominion-provincial conferences.

Mr. Sharp: If the hon. member knows of any provincial ministers who are satisfied, will he let me have their names?

Mr. Macquarrie: I am sure the list is not very long, but some are less dissatisfied than others. It is another situation in which there is no similarity—and it is not surprising that it is lacking in this area—among the provinces as to the needs of the people. There is a great need for advances in all fields but at the same time there is a great inequality in the ability of the provinces to meet these needs.

I have looked carefully at the elaborate tables on revenue sources and revenue bases; the expression sometimes used for this is "fiscal ability" of the provinces. I think it is very difficult to measure fiscal ability. I think it would be unrealistic not to consider the potential fiscal ability of a province, and yet it is more difficult to measure than ever.

I suppose all of us tend to look at a measure of this kind at this stage of our debate in relation to the areas from which we come. I know that the Atlantic adjustment grants have been considered and, I presume, are being preserved. I hope they will be preserved as something separate and distinct and not subsumed in other funds upon which the calculations are based. The Atlantic provinces adjustment grants were made to the four eastern provinces as a token to compensate for many years of economic disparity which has continued through the years since confederation. I think that these grants must be regarded as sacrosanct over and above the other elaborate calculations for equalization grants. When we start the next stage of our discussions I am sure we will want to probe a little more carefully so as to discover where the Atlantic adjustment grants will fit in.

I was surprised to find that the province of Prince Edward Island, whose tax base is surely narrower than that of any other province, did not come out a little better in the mathematical calculations. Some time ago our premier came back with the report that we were going to be $200,000 better off, and he was not very proud of this. The leader of the opposition in our province made a quick calculation and said that this would not pay the skunk tax in the province of Prince Edward Island. I think that no formula could be devised which would give us as small an improvement as that.

I want to say a few words about another aspect of this very important measure.

Mr. Sharp: Will the hon. member permit a question? Perhaps he may be able to answer a question which has always troubled me. How is it that it costs me so many hundreds of millions of dollars to give so little to the provinces?

Mr. Macquarrie: I would say that the problem lies in the distribution of that money.

Mr. Sharp: But none of the provinces are satisfied.

• (3:40 p.m.)

Mr. Macquarrie: I am not quibbling about the total amount but about the direction which it has been given.

Of course the government has been and should be congratulated for the steps which it took some months ago consequent upon the Bladen report. The increases in grants to universities were large and they were welcome. However, we all know that they are inadequate. The needs of education in these days and in the years ahead are simply massive and monumental. We might just as well face up to the situation. There will be many more calls upon all levels of government.

Education is a national problem and it requires national leadership. Heaven knows, it requires national revenue as well. Having said that, we must all be very careful in this country to pay the proper respect to the sacred nature of provincial jurisdiction and to exalt the virtue of provincial control. I, too, am concerned about the technical and vocational problem. The period before junior matriculation is the period in which we face our greatest problem in education. This is the area in which we find the greatest number of drop-outs. It seems to me that we have to have, for the drop-out or the potential drop-out from our high school system, some alternative training program which is reasonably attractive, some wide range of options for young people whose minds must be trained to the highest degree possible even though for a variety of reasons they may not be suited to academic courses.

I agree with what was said about the program of the former government. I think it is one of the finest that any national government has established. The former minister of labour was indeed, as is his custom, far too modest about the contribution which he made to the development of these splendid technical and vocational schools across the country. They are being well attended and many young people are being given new opportunities to enter the labour force where, as we all know, the demand for skilled personnel is increasing day by day.

Here again in the field of education and technical training, the leadership came from the dominion level. It was good leadership and I am very proud of it. I am concerned, as was the last speaker, that the role of the dominion authorities will be diminished and will be phased out. I would feel much better if in this important area, where the dominion once had jurisdiction, it had remained because there will be no phasing out of the schools. You may phase out the program but these schools will be needed. There will be a growing stream of young people requiring the kind of training they can get from these schools.

There are other questions about the university structure that we will have. I should like to ask later about the perennial problem of the relationship of university population to provincial population as related to the various formulae set out here. I am not quite sure that the problems of the province with the small population but the large university population are being met. I hope they are. When we start discussing the bill we can make inquiries. To my concern about the phasing out of the technical and vocational program I would add my approval of the arrangement which has been made for post-secondary educational plans. If we can just find some way of meeting the financial needs of the more needy provinces, I would even approve of the first part.

Mr. Nowlan: Mr. Chairman, I should like to make a few general remarks on this resolution which involves education. I believe many, if not most of those here, recognize this as the greatest social need in this country at the present time. We have had a good deal of talk in the past year about the operations of welfare programs which were demanded and needed by the people. In so far as education is concerned, we are talking about a social need which helps to produce the people who produce the gross national product that helps to pay for a good many of these welfare programs.

It seems a strange situation, but perhaps looking at some of the history of the present government it should not appear too strange, that there should be the apparent contradiction of the federal government starting to withdraw from its responsibilities toward education in the face of the great need for finances and leadership. I can quite appreciate the constitutional situation. Some hon. members have come out flatly and said that the British North America Act no longer needs revision. The hon. member for Queens says it has been a most flexible document in many ways so far as the provinces are concerned.

As other speakers have said this afternoon, we only have to look at the vocational training program commenced by the Diefenbaker government in 1960 to see that the federal

government of that time moved into an area in which there was a vacuum. Heaven help Canadians today if that area had not been canvassed and entered by the federal government. I believe the approval of the province of Quebec six months after the other provinces came into the program gives the lie, Mr. Chairman, to the statement that the provincial governments would not, under a proper formula providing protection for provincial autonomy, enter into a federal program of education or take federal help. It is a contradiction, Mr. Chairman, that I cannot quite rationalize and I do not see how the Minister of Finance can rationalize it. I should like to see the Minister of National Health and Welfare try to rationalize it because only a few months ago we had a long debate on medicare which involved provincial jurisdiction and provincial sensitivity. However, the federal government, because of a plank that party had in its platform for 40 years, came along and said that we would have a type of medicare under which the federal government would not impose anything on the provinces. The government said these were basic guide lines.

All during that debate members opposite from the province of Quebec had no real disagreement or dispute with these guide lines. The provincial government could enter into the program if it so wished but it did not have to enter the program if it did not desire to do so. It seems to me that this fundamental contradiction is something which has Canadians wondering about the state of politics and the state of the leadership of the government, in that at one time this year we talked about guide lines in an area of provincial responsibility and two or three months later when we are talking about education, one of the great social needs of this country, the government hides behind the barrier of the constitution. The government attempts to say their hands are tied and they cannot give federal leadership. Worse than that, Mr. Chairman, they not only fail to give federal leadership but they are starting to withdraw from a field in which the federal government had participated.

The hon. member for Queens referred to the minister of labour in the previous administration, the hon. member for Ontario, and the bold program he started in 1960 which the provinces all joined. I wonder if the members of this committee truly appreciate the extent of that program and the fact that all provinces participated fully. One of the members to the left mentioned that federal participation involved a sum of over $600 million. Well, Mr. Chairman, during a three year period about 330,000 places were provided for students in vocational and technical training schools.

• (3:50 p.m.)

The area I come from is not one of the great industrial areas of the country, but several vocational schools were built there under this program two or three years ago and they are filled to capacity. In spite of this expansion during the last two years, unfortunately applicants for vocational training are still being turned down in large numbers. That indicates the state of the program at the present time, Mr. Chairman. Nevertheless, where would we in Canada be today if the federal government under the party to which I belong had not taken some initiative and trodden very carefully, so as to recognize not only the problems under the constitution but to institute a program which provided over 330,000 student places in two and a half to three years. Over 800 new schools or additions to existing schools were built during that two and a half to three year period and over $1,200 million was spent by the federal and provincial governments combined on that building program.

I suggest there is even greater need for education and skilled manpower in this day and age. In spite of the manpower problems which have arisen during the last two or three months as a result of the auto pact and in other areas as well, we would have been in an even more precarious position today had not the former government taken some initiative. The vocational training program alone shows that when a federal government is prepared to move in and take the lead and also respect the provincial jurisdiction, the provinces will also move into the vacuum. In 1960 there was a vacuum, but fortunately for Canada the government of that day stepped in to fill it.

We are now withdrawing and throwing the problem back to the provinces. Some provinces are capable of doing a good job whereas others are faced with certain problems. But the point is that the federal government is not providing national leadership. I can well understand the concern of the public over the fundamental distinction which is being made between guide lines for medicare but not for education. I should like to hear the Minister of Finance or the minister for health or somebody else on that side try to rationalize

the apparent contradiction that exists in this proposition, which involves provincial jurisdiction.

There is another problem in connection with the transfer to the provinces of certain percentages of corporation and personal income taxes. In effect they are unconditional grants made to the provinces for their educational programs. Just as an aside, Mr. Chairman, and following upon what the hon. member for Queens said, I might point out that there was a good flow of information passing between federal and provincial representatives during the conference last fall. The initial proposals made by the federal government were somewhat confusing and the visiting provincial representatives were somewhat caught by surprise when they read about some of them in the newspapers even before they got to the conference table. But I think the minister and his officials are to be given credit for their give and take attitude with regard to some of the initial proposals, and the final results of the conference will undoubtedly be enshrined within the subject matter of the bill which is to follow this resolution.

I appreciate, Mr. Chairman, that there are two points of view in connection with transferring a percentage of corporation and personal income taxes to the provinces. Some provinces and certainly some of the university officials are most concerned that these unconditional grants which are made to the provinces may not find their way into the university coffers. There have been examples in the not too distant past of moneys given to the provinces for educational purposes which did not find their way into the university stream.

Again, Mr. Chairman, this is an area, quite separate and apart from technical and vocational training, from which the federal government has withdrawn. It is an area which I think involves one of the most fluid segments of our society. The hon. member for Burnaby-Richmond quoted a speech made by the Secretary of State some time ago in which she said that education has no boundaries. In this day and age there is a much greater flow of manpower and skilled tradesmen from one province to another, but I would suggest there is not quite such a great flow in the vocational area as there is in the academic field. University graduates in my part of the country have to travel to other provinces because they cannot become absorbed in the rather limited economic climate prevailing in the Atlantic area.

This means, Mr. Chairman, that in certain parts of Canada there is a tremendous influx of one of the most fluid segments of society. In other areas the federal government is withdrawing from this mainstream of society, leaving its control strictly to the provinces, and is hiding behind the strait-jacket of the constitution.

Three or four months ago the minister of health was bold enough to stand up time and again to defend the medicare program, a program which touches the very areas from which the Minister of Finance is now trying to withdraw. No wonder the public are looking for some leadership and direction in this area, Mr. Chairman, and it seems to me they are somewhat bewildered at this apparent paradox.

I wanted to make those two general points at this time. Certainly the vocational and technical program has proven the need, and the medicare bill which was passed by this house a few months ago showed that the government will take responsibility in some areas. In other areas the government prefers to hide. The only people who will be the losers are the students and the young people of the country who pass through the educational process and move into the mainstream. In these days of easier travel people are not so hesitant to move from one province to another across the land. I am given to understand that one out of every three persons in the United States moves from one part of the United States to another during the course of his lifetime, and similar figures exist for Canada indicating a tremendous movement of people. Yet in respect of those who have the greatest potential for movement throughout the country, namely, our students who receive university education, no federal guide lines or direction are provided.

What is even worse, Mr. Chairman, or could be worse, is the fact that the federal government has refused to impose any conditions upon the moneys provided to the provinces. The provincial grants committees and the university heads are somewhat concerned how the money provided by this transfer of corporation and personal income taxes will be funnelled into the provinces. Let me take, for example, the province of British Columbia where you have the University of British Columbia, a strong and historic institution, competing for funds with Victoria College in Victoria and Simon Fraser University on Burnaby mountain. I have had some association with British Columbia in that I lived there for six or seven years, and I know

there are some areas of discontent amongst those three universities, just to pick one province out of the hat. In areas where the federal government withdraws from the educational field I suggest the problems may be compounded. In general, I think it is a retrograde step to ignore the reasoning that was followed when the medicare legislation was passed.

• (4:00 p.m.)

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

Mr. Nowlan: I was about to conclude. Yes.

Mr. Chrétien: Is the hon. member not aware that there is no contradiction in government policy toward education and medicare, because after a five-year study and implementation period we shall turn the administration of the program over to the provinces. It is the same with education. There is a federal-provincial agreement under which we shall turn the program back to the provinces. Exactly the same philosophy applies.

Mr. Nowlan: At least with the medicare program guide lines were set out. There were four basic guide lines for provinces wishing to qualify under the medicare program. There are no federal government guide lines in this resolution. The government gave direction under the medicare program; whether one agreed with the principle or not, direction was given; no direction is being given with respect to education.

Mr. Herridge: Mr. Chairman, I wish to make a few brief observations. I must say that on this important and complex resolution that I am not quite as pessimistic as the hon. member who has just resumed his seat about what we shall ultimately obtain with this type of agreement.

I listened to both ministers last night with interest, and listened to the outline of the six principles that are the result of agreements with the provinces. We wholeheartedly endorse these principles as being in keeping with the philosophy of the beginnings of cooperation between the federal and provincial government to meet certain needs and requirements in this country.

Before going further I want to say this: Frequently I run into people who do not seem to realize that no government can give anybody anything, whether that government be federal, provincial or municipal, without taking something away from somebody else. I have met so many people who think that the government can take something from some other source. They think you can take something out without replacing it. We must show our people in Canada that they can have anything they want, provided they are willing to pay for it.

Mr. Sharp: They are all the same taxpayers.

Mr. Herridge: That is right; they are the same taxpayers. I have had letters recently, not from my constituency, because my people are philosophically sound, but from people in eastern Canada, showing that they have no conception of costs and how these things are met. I do think that this resolution does represent a demonstration of an effort between the federal and provincial governments to get together and to come to agreements with respect to division of taxes and the acceptance of certain responsibilities. To that extent I rejoice in this first step toward, shall I say, what will finally be known as federalism or federal-provincial co-operation.

I listened with great interest to some hon. members speaking about technical and vocational training features of this resolution. I have always been interested in this question. I know there are quite a number of boys and girls dropping out of high school who are not interested in academic training, but who are interested in using their hands and heads in other fields. There is great opportunity here for the development of technical and vocational training and I give the government credit for what has been envisaged to this extent. I hope this program will be continued and improved. There is a great place in Canada for it under present circumstances.

This debate has been informative and interesting. I have risen particularly as a result of the remarks made by the previous speaker. I think members of the house and of the public should be better informed about what happens in federal-provincial conferences on questions of the type we are discussing. Would the minister tell us how this conference was called, or how the arrangements were made for the calling of the conference. What was the general procedure at the conference? Did the provinces one after the other make submissions on topics or did they make a submission in total, with other submissions being made afterwards? How were amendments moved? How was agreement reached between the various provinces during the discussion? What was the general atmosphere, the spirit at these conferences? That is

important. Knowing that is more important, perhaps, than knowing about figures alone.

I think hon. members would like to be informed about how the conference was developed and how it was handled; also, what was the response of the provincial premiers at the conference to the various steps discussed, and to the final agreement that I understand was signed by all provinces? What has been the response of the premiers and governments of the various provinces since the agreements were signed, as a result of changing circumstances? Could the minister give us information in this respect? It would help us to understand the general atmosphere prevailing during the period of discussions.

Mr. Sharp: Mr. Chairman, I might answer the last question first by reference to a report of the federal-provincial tax structure committee which met in Ottawa on September 14 and 15, 1966. For those members of the committee interested in knowing the positions of the respective governments, this is the official source of reference. I have tabled all these documents in the house from time to time.

In this document there is an account of the formation of the tax structure committee, the meetings it has held and their outcome. The report I have in my hand is a report of the federal-provincial tax structure committee, and it contains submissions made by the federal government and by each of the provincial governments. When we met subsequently, in October, I, on behalf of the federal government presented further refinements of the federal position based on discussions we had had in September. I made a report to the federal-provincial conference presided over by the Prime Minister. At that conference the Prime Minister confirmed that the proposals put forward by the federal government were in fact the proposals he would recommend to parliament.

The short answer to the other question is that there are no agreements at federal-provincial conferences. Indeed, since there are no written documents as to the division of tax fields or as to the acceptance of equalization payments, and so on, the only agreements reached are for administrative matters such as tax collection agreements. The federal government agrees to collect taxes on behalf of the provincial governments, and to turn revenues over to them.

I can assure the hon. member that when it comes to the division of tax fields the federal government ultimately has to say, "These are the taxes we propose to levy" and the provincial governments have to decide that there are other taxes that they propose to levy; and, we hope by consultation and mutual consideration of each other's plans, that we have put together a pattern that is not illogical. I do not think it would be agreeable to this house, for example, if it were to be bound in its decisions of what are appropriate tax policies for Canada through the federal government's entering into agreements with the provinces with respect to the division of tax fields to the point where the freedom of this parliament to legislate with respect to taxes was in any way hampered.

In the bill, to be founded on this resolution, the federal government will be putting forth proposals that it put before the provinces. I can assure the hon. member that not one of the provinces liked them; not one. They all felt that the federal government was being niggardly, and they raised all sorts of questions about the future, and how we were to have all sorts of revenues and the provinces would go further into debt. I commented on this attitude from time to time during the conference. I can assure the hon. member that if that indeed were the prospect we would not have had to implement a mini-budget to raise $250 million; we would have plenty of revenues to meet all expenditures. In fact, in this house we all know that that is not so.

It is true that our prospects for obtaining revenues are better than the prospects of provinces or municipalities, but we have no surplus to turn over. The best we can hope for is that we have taxation systems that are mutually compatible and that permit the economic growth of this country. We shall continue to meet in the future, as provinces meeting with the federal government, to discuss tax problems.

• (4:10 p.m.)

The Carter commission presents us with a new problem altogether, and one of the reasons for my urging that this report should be studied very carefully, and one of the reasons I am very careful not to make any judgments about this matter, is that I want an opportunity to discuss this subject with the provinces, who are very much concerned with the recommendations of the Carter commission. I want to do this before making any recommendations to my colleagues or to this house about changes in the present system.

Resolution reported and concurred in.

Mr. Sharp thereupon moved for leave to introduce Bill No. C-277 to authorize the making of certain fiscal payments to provinces, to authorize the entry into tax collection agreements with provinces, and to amend the Established Programs (Interim Arrangements) Act.

Motion agreed to and bill read the first time.

OCCUPATIONAL TRAINING

PROVISION FOR PAYMENT OF COSTS, AGREEMENTS WITH PROVINCES, ETC.

Hon. Jean Marchand (Minister of Manpower and Immigration) moved that the house go into committee to consider the following resolution:

That it is expedient to introduce a measure to provide for the training of adults wishing to undertake occupational training; to authorize the entering into of contracts with provinces and employers to provide for the payment of the costs incurred in providing occupational training to those adults and to authorize the payment of charges for tuition or otherwise for the training of adults in occupational training courses not operated by a province or an employer; to authorize the payment of training allowances to certain adults undertaking occupational training; to authorize agreements with the provinces respecting research in respect of occupational training and the making of loans to provinces to assist in the purchase or construction of occupational training facilities; to authorize transitional agreements and arrangements with the provinces related to the Technical and Vocational Training Assistance Act; and to provide further for other related and incidental matters.

Motion agreed to and the house went into committee, Mr. Batten in the chair.

[*Translation*]

Mr. Marchand: Mr. Chairman, last June this house passed the Training Allowances Act. It provided substantially increased training allowances for unemployed workers. In addition, under this act, the workers preserved their unemployment insurance rights while they took training.

As a result of this legislation, the concept of training in Canada has been altered. For the first time, people with adult responsibilities are being granted allowances generous enough to enable them to take training courses. This put an end to the previous dependence of training on the unemployment insurance plan. From here on vocational training ranks with work; it is no longer associated with unemployment or welfare.

The measure I propose today is the logical development of the policy that I had the honour to introduce last year. It is a greatly extended program for the training and retraining of members of the labour force. It is an explicit recognition of the federal responsibility for the over-all performance of the economy, and the advancement of the workers on whom that performance depends.

This new program is an integral part of a national manpower policy whose basic purpose is to bring economic opportunity within the reach of Canadian workers.

The resolution proposes to extend training services and training allowances to all persons with adult responsibilities who can benefit from training. Whether a man or woman is eligible for training will not depend on whether he or she is employed, unemployed, underemployed, or self-employed.

The program will respond directly to the person's need for training, not to his statistical classification. The question is whether he will benefit substantially from training, whether it will make his earning power greater in future, whether his contribution to the economy will be increased.

Adult training, as the Economic Council of Canada and many others have pointed out, is one of Canada's most urgent needs. It is a national problem requiring a solution that can be implemented right across the country. But the program must, of course, be administered in full co-operation with the provinces. It must be sensitive to local needs. The federal functions under the program will be discharged by our strengthened and decentralized Canada Manpower Centres. It will be part of the range of services which these centres offer workers who need a second chance to acquire the skills and knowledge they must have to compete in today's dynamic labour market.

I would like to emphasize that this program is not concerned with young people at school but with people who have been in the labour force for some time and intend to stay in it.

This does not mean that the federal government feels that the education of youth is unimportant. Obviously, it is vital to our development. But we are a federal country—which means, though it is often forgotten, that some things that are vital are the responsibility not of this parliament but of the provinces.

The education of youth is a provincial, not a federal responsibility. During the past six years the federal government has contributed greatly to the capital costs of provincial

facilities for technical training. The arrangement was made for six years. It was mostly capital, not operating assistance, because such federal activity in a provincial field could not and should not be thought of as permanent.

Accordingly, the Prime Minister announced last October the termination or phase-out of cost-sharing agreements in this field. Financially, they are more than replaced by unconditional fiscal transfers designed to make it possible for provinces to respond to the rapidly expanding needs of post-secondary education.

Those needs, financially, are very great. But when we think of people, we must recognize that the needs of adults are very different from those of continuing students.

First, there is a financial difference. The adult has been earning an income. He has been using that income to support himself or members of his family. They and he cannot afford to have his income cut off. If he is going to take training, he must be provided with an alternative income from public sources.

The need is in this respect much the same as the need for unemployment insurance. But I think we would all agree that the amount should be appreciably larger. Training is work. And training should not prejudice a man's future protection in the form of his rights to unemployment insurance benefits. What is the same is the principle of an income support.

Second, adult training is different from school education because quite a lot of it can best be carried on, not in a teaching institution, but within industry. This, plainly, is a growing trend. It makes a great deal of sense. But we cannot expect a company to do a great deal of training that may help a man get a job with other firms, unless government bears a good part of the cost.

Third, adult training is most directly related to full employment and improved productivity. It is true, of course, that the quality of education also has an important influence, as young people enter the labour force. The training provided to adults has a direct impact on employment and productivity. Therefore, it is of current, direct concern to the federal government.

• (4:20 p.m.)

[*English*]

Obviously, Mr. Chairman, I do not mean that the federal government should provide the training. Provincial governments and industry are both already in that business and there is no reason for us to join them. But we do have the responsibility for seeing that provincial governments and industry have customers, and that means we have to pay the customers' bills.

This is the responsibility we propose to assume. Instead of being involved 50 per cent and 75 per cent in a variety of technical and vocational education programs, we propose to take 100 per cent financial responsibility for the adult, the person who has left school to earn his living but now needs retraining or further training.

We want to provide a second chance to the people who need it most. These are the men and women who missed the chance to acquire a skill during their youth or whose skill has been made obsolete by technological change. They are the people whose whole lives can be changed, dramatically in many cases, by giving them the occupational training they need.

Occupational training will be provided in courses of 12 months or less. The experience of the last six years has shown what can be accomplished in this way. But it has also shown that many mature adults lack the basic arithmetic, scientific and linguistic facility they need to learn a new occupation. The provinces have developed accelerated courses to provide adults with this background material, and the program will pay for any such basic training that is needed for an occupational skill. To put it another way, our concern is with the skills, but when people must have basic background to learn the skills the program will meet both necessary parts of the total cost.

The provinces have built up extensive systems for providing the type of training adults need. We wish to make use of these facilities and we will pay the provinces for training the adults we refer to their courses.

Occasionally we will need to make use of private training facilities, but we will do so only when a province cannot, at the time, provide the type of training a man needs at a school near where he lives. We will not use private facilities unless it is necessary and the province agrees that it cannot meet the need.

The program will give the employment counsellors in our Canada manpower centres an effective means of helping adult workers adapt to changing occupational and employment conditions. One of the major functions of these centres is to seek out opportunities and make sure that people are aware of

them. To discharge this responsibility we must know which occupations to train people for. Misplaced or misguided training is an economic waste and a human tragedy. This is another reason why this program must be implemented through the Canada manpower centres, if it is to be effective and equitable. They will have the necessary information on labour market trends and prospects. This is the only way to keep adult training and retraining closely related to the changing needs of the labour market, and so most helpful to individual workers and employers.

In industry I should make it plain that the program is not designed to pay for the kind of on-the-job training, in a particular job, that is a normal and necessary part of industrial costs. We are concerned with the kind of general training that a worker can take with him from job to job. Where a company provides that kind of training the program will pay both the cost of running the course and an element of reimbursement of the wages the company pays workers while they are learning. But, while the program will normally apply to what might be called "classroom" training in industry, it will also be available for on-the-job training when workers' jobs are threatened by technological change, and extensive retraining by their employer is necessary to help people adapt to new ways of working.

Besides paying living allowances and buying the necessary training services, the program will help provinces to acquire the buildings and equipment to provide the services. This will be done by lending them money to build adult training facilities.

They could take up to 30 years to repay, out of the money the federal government provides, by including the renting of facilities in the costs of the courses we pay for. In effect adult training facilities will cost the provincial taxpayers nothing, and the provinces will have free buildings after 30 years.

The training allowances which will be extended to all trainees who are established members of the labour force will initially be paid at the levels which have been agreed with the provinces under the Training Allowances Act. This means that training allowances will range from $35 to $90 a week as is the case now, depending on family circumstances and living costs. The upper and lower limits will escalate with increases in the general wage level. The actual scales, between those limits, will be settled in consultation with each province so as to fit in with wage conditions in different areas.

I think, Mr. Chairman, I have made it clear that this program is designed to provide a sounder basis for co-operation with the provinces in the years ahead. That co-operation is essential to the success of all our efforts. It is with the provinces that we will contract for the training services that they and their municipalities provide. When it is necessary to purchase services from private training organizations, that will not be done without provincial agreement. Some provinces already have extensive programs for training in industry; our contributions will be put within the framework that already exists. In addition, we stand ready to share with the provinces the costs of research and development which are needed to establish sound and effective occupational training courses for adults.

The new program outlined in this resolution involves important changes. It moves us from shared-cost agreements with the provinces to different principles of co-operation which I believe will be healthier in every way and give us better value for money. But such a change cannot be implemented abruptly.

On April 1, when the present agreements expire, there will be many people in the midst of courses. To avoid disruption we will continue to share the provincial costs of training such people until they have finished their present courses.

The very substantial capital grants which have been made to the provinces under the current shared-cost arrangements for building secondary, post-secondary and adult and technical and vocational training facilities will be phased out gradually. They will continue at 75 per cent cost-sharing rate until each province has received $480 for every person in its 1961 youth population. In addition, a further $320 per person will be available for the same purpose at a 50 per cent sharing rate. The provinces have already received nearly $600 million through these grants; they will receive a further $550 million under this phase-out arrangement. Funds will be available for exactly the same purposes as before, but there will now be no time limit on their use. In short, this arrangement assures equal treatment for all provinces despite the very different rates at which they have in the past been able to utilize the cost sharing program.

• (4:30 p.m.)

Mr. Chairman, I think this is all I need say about this new program at this time. I believe

it is most important. It is a measure which will help the men and women of the Canadian labour force make the adaptations to changing conditions which the world today requires. By making it genuinely possible for people to break out of occupations which offer only under-employment, intermittent unemployment, and poor prospects, we open up new opportunities for people and accelerate the growth and development of our country. We cannot afford any other course of action.

Mr. Lewis: Mr. Chairman, may I ask a question of the minister before he sits down. I should like to ask him whether he has any information about, first, the number of training centres which he says now are available and carried on by the provinces; second, the number of adults province by province now in such training centres and, perhaps most important of all, whether he and his advisers have made any estimate concerning the number of adults who in the next few years expect to be able to take advantage of the plan he has outlined.

Mr. Marchand: Mr. Chairman, I will take these questions as notice. I think I can obtain this information and as soon as I am in a position to supply it to the hon. gentleman I shall be glad to do so.

[*Translation*]

Mr. Régimbal: Mr. Chairman, I find it strange that such an incident should occur a second time. Following the comments made by the Minister of Manpower and Immigration (Mr. Marchand), a member of the party sitting on the Speaker's left asked questions, thus trying to get around the very obvious difficulty of stating his party's position, not knowing what the hon. minister was going to say.

Naturally, since we had no idea of what the minister was going to say, our comments at this stage will be very brief.

In general, I feel that we cannot but commend the proposal being introduced this afternoon, particularly when one considers that it is based on the following principle: a person who is in difficulty, who is unemployed, should not rank among the needy, the beggars, his personal dignity having suffered enough already because of his present unemployment. One must necessarily give favourable consideration to any piece of legislation that will contribute to the development of the human person.

Everyone agrees that it is urgent to give reorientation or training to thousands of workers. Everyone is happy to see that new skilled workers are trained and that people are given the means to develop the skills needed because of technological changes and the moving or concentration of industries. Finally, no one can object if the provinces are kept informed of every initiative, if they are called upon to participate and to accept the services offered.

However, some safeguards should be included in the bill when it is introduced. Various efforts were made in the past with regard to retraining and vocational training but they have not necessarily given the results hoped for. That is why it is necessary to go about it with great caution in view of what happened in the past.

For instance, I have in mind the danger that may arise from training formulas concentrating only on the training of skilled labour and on the development of new techniques, because, unless we make sure in advance—and those things happen—that there is a market for such crafts, we will find ourselves in a situation where, instead of having one unemployed tinsmith in a given area, we will have, if there are eight applicants, nine unemployed tinsmiths. There will always be a very close relationship to be established between the crafts to be developed and the market open to those who are going to engage in such crafts, considering particularly that you have to ascertain not only the crafts and occupations required, but also to what extent people willing to train will agree to move to where opportunities are, once they have received that training.

Mention has been made recently of mines in outlying areas in urgent need of skilled workers. Let us suppose that people were trained in a central place to meet that requirement. If those people refuse to go where jobs are available, they will have been trained to no avail and it will be necessary to start all over again and offer them another type of training. Therefore, it will be most interesting to study the provisions of the bill to be submitted.

There is, I am sure, some contradiction in the fact that professional training opportunities are being provided when, at the same time, the number of existing training centres is being reduced. I am referring particularly to the phasing out of the vocational schools where it would possibly be more practical to ensure that such premises are fully utilized.

This afternoon, during discussion on the preceding resolution, occasional mention was made of education and provincial rights. I think it must be fully realized that any province demanding its provincial rights is not seeking autonomy as an end in itself, but as a means to ensure the development of its heritage and of its citizens.

In such a case, any new situation likely to affect the well-being and the normal development of the citizens should always have a certain priority. This justifies, for instance, the direction and the measures which the federal government wants to present to the provinces, even though they might accept or reject them. The fact that the provinces are sensitive about some fields which, up to now, were considered for specific reasons areas of provincial responsibility, must not restrict the initiatives that the federal government must take, with regard to the full development of our national economy. I am sure that the provinces need no particular spokesman, in one corner of the house or another, to state their rights. The provinces have all the necessary means to put a stop to it if, at one time or another, they feel that there is a negative encroachment on their rights.

Something special may come out of this initiative in the field of training. We talk more and more about training through television, for instance.

• (4:40 p.m.)

I believe that education through television is possible in this field. If provincial authorities denied residents the opportunity to take part in training programs through the television medium, claiming exclusive rights in the field of education and training, these authorities would have a very difficult time trying to explain these restrictions imposed on the citizen.

We speak of training. In the same line of thought, I am sure that before very long there will be televised classes in the schools, in those provinces where an agreement is reached as to a uniform program, so long as the fundamental rights of each province are respected. In my opinion, this particular aspect of the question represents a positive step; it is a step forward.

I believe the hon. minister and his government are worthy of commendation in this respect. But we will wait for the bill which will reveal the process or the means by which this principle will be implemented and applied to industry and schools. We will then be able to make more intelligent and surely more complete comments—

[*English*]

Mr. Orlikow: I am sure the broad general principles enunciated by the minister will be welcomed by every member of the house and by every person who has looked at the problem in respect of full employment, and manpower training and retraining in our complex society. Having said that we greet the general principles warmly I must say that if one compares what the minister said today with the results of past programs he will realize the tremendous distance we must cover in the next year or two to implement the things about which the minister spoke.

We welcome the announcement of the minister that training allowances will be paid by the government to people taking training, and that this will in no way jeopardize unemployment insurance benefits. We also welcomed the announcement that 100 per cent of the bills for retraining of students will be paid by the government. This is precisely what I suggested during an earlier debate in relation to tax arrangements, namely that the federal government should accept its responsibilities to help those people who come from or live in have-not provinces.

We will be watching very carefully the details as to how the minister proposes to do these things. We will carefully scrutinize the estimates of the minister's department, the number of centres that will be open and the number of people who are trained. There is, however, a tremendous if not immeasurable gulf between these broad general principles enunciated by the minister and the realities of situations.

Mr. George Bain has an article in the *Globe and Mail* today under the heading "Have Job—Will Travel". Mr. Bain does have a job and does travel. This article was written in Stockholm and deals with a program which has been in existence in Sweden for a number of years. I commend this article to the minister because it outlines a program which works, and which is far superior to anything this or any other government has established to date. This is the kind of program which if emulated, would allow this government to accomplish a great deal.

Mr. Bain points out that in Sweden the national labour market board, which does essentially the job carried out by the minister's department in Canada, is empowered to retrain a Swedish worker, to pay his and his wife's way to another town to look after a

new job, to help him while he gets settled there, to support her and the family in the old place until he can find a home for them, and to move them. This board can even buy the old house, if it happens to be in a part of the country where the population is declining and the person being moved could sell it otherwise only at a loss.

Mr. Bain spells out some of the details of this program. In part he writes:

> An unemployed, or about-to-become-unemployed worker, can obtain retraining which may extend up to two years. His basic monthly allowance during that period will be $90 (allowing five Swedish crowns to the dollar), plus $15 for his wife, and $12 a month for each child—$129 in all, for a man with two children.
>
> (If the same man has to leave his home area to take retraining, he will get about 1,100 Swedish crowns a month, or $220, the amount being flexible to include the total cost of his rent. In all cases, these allowances are tax free.)

Later on Mr. Bain writes this:

> For instance, to help provide for the upkeep of his family while he finds a new home for them, the worker who goes to a new place is entitled for 12 months to $44 a month for his wife, $12 for each child, moving expenses when they move, and a so-called installation grant of $411, plus $30 for each child, to help get the new home going.

This is the kind of program which has been in existence for some time in Sweden. It seems to be the kind of program the minister was referring to in broad generalities, but it is not the kind of program we have had in Canada up to now. We have had training programs, but I suppose one could not expect that a training program which started late should be successful at the beginning.

People who have been close to workers and unemployed people, such as representatives of trade unions, whether or not they are affiliated with the Canadian Labour Congress or the Confederation of National Trade Unions, have known from firsthand observation that these training programs were not working.

Program No. 5 had from its inception a fantastically high drop-out rate because the allowances were inadequate. The individuals taking advantage of that program could not continue to do so because they could not maintain their families. It was obvious to these workers and everybody else that if they finished the program they would get better work at higher rates of pay, but that was little consolation when they could not afford to keep their families.

It is true that we have increased very substantially the amounts allowed. However, I think we have to keep a constant eye on whether we are doing enough so that workers who are unemployed will be persuaded that it pays them and their families to make the effort to study under the retraining programs which will be offered, so that they can improve themselves.

• (4:50 p.m.)

One of the difficulties we have had in the past, and which we continue to have in a country as large as Canada, is that very often the jobs available—and in the period of high economic activity which we are now experiencing there is a great number of jobs available—in Hamilton, Toronto or Vancouver, to mention just three of the areas in which there is the highest rate of economic activity, are of little use to the unemployed worker in Newfoundland, Cape Breton or the Gaspé peninsula, even if he has the training to fill the job which is open, if he cannot afford to move his family. When we study the details of the program which the government will be instituting, and when we study in particular the question of retraining, we will have to consider this fact because there will be little purpose in retraining people if we do not enable them to move to the kind of jobs which they have been trained to fill.

The fact is that we have not had this kind of training program in the past. Mr. J. Fenwick, assistant to the director of the largest district covered by the United Steelworkers of America has given particular attention to this problem. In a speech made to a conference convened by the Canadian Labour Congress to deal with manpower training, held about this time last year, he reported that a survey of almost 100,000 workers carried out by their union showed that the training program on the job covered only 1,400 workers out of that group. This is just not good enough. In the same survey it was found that the basic steel fabricating, aluminum and mining companies had only 505 apprentices. Again this is not good enough. While I commend the government for the program establishing these manpower training centres which the minister has announced, it is my opinion that, even though the federal government is prepared to put up substantially more money than it has done in the past, the program will fail unless the people involved are made aware of it, unless they are told the kind of allowances that will be paid and the kind of training which they can receive.

Until now this information has not been made available so that one union leader after

another has reported that his members and the workers with whom he has come in contact are almost completely ignorant of the existing training programs. I hope the new Department of Manpower and Immigration will set up advisory committees of labour and industry so that the information about the kind of programs which the minister has announced today will be made available to unions and to management, and that the minister and his department will go out, in cooperation with labour and management, and do a selling job to convince people that there is hope for them, that they should avail themselves of the opportunities which are now being provided by the government, and that it is in their interest and in the interest of their families that they avail themselves of the retraining programs and thus upgrade their skills and knowledge.

We may have heard an excellent speech from the minister, and he may have enunciated very important principles which will be useful to the working population of Canada, but without this kind of aggressive program of education and salesmanship—although I am not particularly enthused by the term "salesmanship"—I am afraid that this program will fail, as have past programs.

In closing I would urge the minister, in introducing the bill, to give the members of the house the information requested by my colleague, the hon. member for York South, as to the amount of money which the government envisages will be allocated to this program over the next two or three years, the number of people it is expected can be trained, the number of manpower centres which will be established, and all the other information which was requested, so that the house can be assured that the government is serious about this program, that it intends to proceed with the retraining of the people of Canada who need the kind of training about which the minister has spoken, and so that we can get a meaningful program rather than just the excellent speeches we have so often heard in the last half dozen years.

Mr. Olson: Mr. Chairman, in the next two minutes I want to say that the minister's explanation of this adult training program does in fact confirm the objections I raised to resolution which appears as order number 135, namely that it leaves a gap. This program is only for people who have been in the labour force and are now unemployed, and who can enhance their opportunity for getting a job by retraining. This legislation does not cover the young unemployed adults, the dropouts from high school who did not get the best secondary education either in vocational training schools or universities.

It seems to me that the legislation does not cover this group. The minister cannot justify the gap by saying that the federal government has no jurisdiction in the area of education, in view of the fact that there is now before the house a resolution which stands as item 135 on the order paper and which provides for large federal grants for post-secondary education purposes. Neither of the two acts covers young people up to the age of 18 or 19 who have not achieved the scholastic or academic standing necessary to obtain junior matriculation.

The minister might say that the provinces can pick up the tab; but why should the full responsibility for retraining these young people be put on the provinces, if the federal government finds that there is justification for retraining post-secondary students and adults? To leave this gap does not make sense to me.

• (5:00 p.m.)

Resolution reported and concurred in.

Mr. Marchand thereupon moved for leave to introduce Bill No. C-278, respecting the occupational training of adults.

Motion agreed to and bill read the first time.

Mr. Deputy Speaker: It being five o'clock, the house will now proceed to the consideration of private members business as listed on today's order paper, namely public bills and private bills.

BUSINESS OF THE HOUSE

Mr. Pennell: May I be permitted to announce the business of the house for Monday? The government proposes to call item 119, third reading of Bill No. C-259, to amend the Income Tax Act and repeal the Canadian Vessel Construction Assistance Act; item 135, second reading of the bill dealing with federal-provincial fiscal arrangements; item 63, Bill No. C-190 respecting the Bank of Canada Act; item 136, Bill No. C-257, respecting the Canada Corporations Act; item 137, the resolution concerning the amendment to the Parliamentary Secretaries Act, and then item 74, the Bank Act. I would ask the indulgence of the house because it may be necessary to

reverse the order of item 136, the Canada Corporations Act and item 137, the Parliamentary Secretaries Act.

Mr. Bell (Carleton): Is the minister confident that the bill based on the resolution which stands as item 135 will be available in time? If it is not available until Monday morning, I doubt if there will be time to give such an important bill the necessary study.

Mr. Pennell: The minister gave me the assurance that the bill was printed and ready for distribution upon the passing of the resolution. I would agree with the observations of the hon. member if the bill were not printed, but I have been assured it is, and that it is Bill No. C-277.

Mrs. MacInnis (Vancouver-Kingsway): May I ask if the bill based on the resolution, item 134, will be coming up again? I refer to the one we were discussing this afternoon.

Mr. Pennell: No, it is not being called for Monday.

HOUSE OF COMMONS

EXTENSION OF ORDER GOVERNING HOURS OF SITTING

Hon. L. T. Pennell (Solicitor General): Mr. Speaker, I apologize to the hon. member who is about to address the house, but by leave I should like to revert to motions.

Mr. Deputy Speaker: Has the minister leave to revert to motions?

Some hon. Members: Agreed.

Mr. Pennell: I move:

That the order of the house adopted on February 20, 1967, suspending the sittings of the house from seven o'clock p.m. to eight o'clock p.m. on Mondays, Tuesdays and Thursdays and from one o'clock to two o'clock p.m. on Fridays be extended for a further two week period commencing March 6, 1967.

Motion agreed to.

Mr. O'Keefe: Mr. Speaker, by consent may we stand items 1 to 9 on today's order paper under "Public Bills", and take item No. 10 standing in the name of the hon. member for Sainte-Marie (Mr. Valade)?

Mr. Deputy Speaker: Does the house agree to stand public bills on today's order paper, items 1 to 9?

Some hon. Members: Agreed.

[Mr. Pennell.]

CRIMINAL CODE AMENDMENT

MEASURE TO PERMIT PROVINCIAL GOVERNMENTS TO CONDUCT LOTTERIES

Mr. Georges Valade (Sainte-Marie) moved the second reading of Bill No. C-38, to amend the Criminal Code (provincial lotteries).

[*Translation*]

He said: Mr. Speaker, for the fifth consecutive year I have the honour to introduce a bill to amend section 179 of the Criminal Code, in order to make an exception to that legislation and enable or authorize provincial governments, which would like to do so, to establish their own provincial schemes intended solely and strictly for provincial purposes, especially welfare and education as well as any other responsibility falling under the exclusive jurisdiction of the provinces.

Mr. Speaker, I have made five attempts to try to convince my colleagues of the House of Commons by substantive arguments, reports of investigations and finally by indications of popular opinion, that it is time for the government to change its policy on this matter and yield to the evidence that a majority of people is asking that provincial governments be authorized to legalize the organization of lotteries in provinces.

During previous discussions, certain members representing various parties in the house have supported the substance and the letter of the legislation which I introduced during those past years.

All the spokesmen of the parties have approved the principle that I would like to stress, and no one has opposed either this bill or its implications.

Unfortunately, however, they resorted to the well-known process of stifling with praise and kind words this bill which I shall again attempt to have accepted by this house. I hope that today the house will express its views by a vote, and that we shall not have recourse to dilatory practices to prevent the passage of a bill which seems to fulfil the wishes of the public at large.

I wish to thank the N.D.P. and Social Credit members, and even the government members who supported me in the past in my efforts initiated many years ago while I tried to persuade my colleagues that it was high time for the house to take a clear and definite stand on this matter.

Since I failed in my attempts, Mr. Speaker, I decided to conduct a national investigation

myself, that is, I attempted to ascertain the consensus of opinion in each province. It seems to me that the work I performed was incumbent upon the governmental authorities, particularly the Minister of Justice and Attorney General (Mr. Cardin) who is responsible for such an amendment. Well, owing to the department's inertia, I would say, in this respect, I personally undertook to conduct such an investigation.

I am happy to have the opportunity today to let my colleagues in the house know the results of this investigation conducted through most of the Canadian municipalities, either through the mayor himself or through the municipal councils.

Over the past two years I have sent a questionnaire to many Canadian municipalities from Halifax to Vancouver, including the Northwest Territories. I wanted to establish unequivocally whether Canadians in general, and provincial residents in particular would favour an amendment to the Criminal Code in order to allow the provinces to have their own lottery system.

• (5:10 p.m.)

Mr. Speaker, I have here a large collection of these questionnaires that I had sent to the mayors. I urge hon. members to consult this huge file. Every answer has been listed, province by province, in that record which I am ready to put at the disposal of the Department of Justice so that it can confirm or invalidate the result of that investigation which leaves no doubt concerning the general approval of my initiatives and those of a great number of Canadians who devoted themselves in the past to advocate this idea of provincial lotteries.

I wish to emphasize the splendid work done over many years by one Mrs. English, of Calgary, who gathered more than 500,000 signatures for a petition in favour of the establishment of a lottery in Canada, a few years ago.

The result of my investigation supports that petition and, moreover, adds opinions from each of the provinces.

For instance, from the province of Manitoba, where 1 sent 43 questionnaires, I received 18 answers, 11 of which were for and 7 against. From Saskatchewan, out of the 44 questionnaires I forwarded, I received 23 answers, 20 favourable and 3 unfavourable. In Alberta, 31 municipalities answered favourably and 6 unfavourably. Out of the 86 questionnaires sent to British Columbia, I received 56 answers, 47 of which were favourable and only 4 unfavourable. In the Northwest Territories, I sent one questionnaire and the answer was unfavourable. From Newfoundland, out of 21 municipalities, 7 answered favourably and one unfavourably. From Prince Edward Island, two declared themselves in favour and none against. From Nova Scotia, out of 19 answers received, 13 were favourable and 2 unfavourable. From New Brunswick, out of 14 answers, 8 were favourable and 3 unfavourable. Ontario, of course, gave much more significant answers, in view of the great number of municipalities in that province. Out of the 233 questionnaires I sent, I received 111 answers, 94 of which were favourable and 8 only were opposed. In the province of Quebec, out of the 207 questionnaires I sent, I received 135 answers, 134 were favourable and one opposed.

Mr. Speaker, out of 428 replies received from municipalities across the land, 367 were in favour of provincial lotteries and only 36 were against. That is a clear and explicit expression of the Canadian people's opinion on the possibility of setting up a system of provincially operated lotteries.

Now, in the light of such obvious and favourable replies, I wonder why the Minister of Justice (Mr. Cardin) and the government still hesitate, even today, to vote on this bill, so that hon. members might have a chance of expressing their views. If hon. members truly wish to express an opinion which reflects the wishes and desires of the people they represent here, there is no doubt that the house will amend the Criminal Code so as to authorize the provinces to set up their own system of lotteries.

That is the problem in many circles which fear some small groups of reactionaries, of bigots and I would even say of chauvinists who, out of personal conviction or taking their stand on a principle supposedly connected with public morality, object to the government amending the Criminal Code and allowing the establishment of provincial lotteries.

Now, Mr. Speaker, with all due respect for the views of such people, I feel that if it is to be argued that lotteries are against public morality, those people should be told that there are some criteria making it possible to determine whether or not lotteries are against public morality. Mr. Speaker, there are three such criteria.

If the lottery is free from fraud and under government control for the common good, I believe that, in such a case, public morals are

not involved and the argument of the opposing groups does not stand.

On the other hand, if more than statistics or inquiries are required to prove the desirability of establishing a lottery, I suggest that the house refer to the views expressed by the provincial premiers themselves.

During the federal-provincial conference held in Ottawa in November 1963, the question of a provincial lottery was brought up. At that time, some provincial premiers as well as the Prime Minister of Canada expressed their views.

On being questioned at the end of one of these conferences, Mr. Robichaud, premier of New Brunswick, stated that his province had no firm idea on this problem, although he was not opposed to a lottery.

Mr. Lesage, then premier of Quebec province, is supposed to have said: If lotteries were legalized, they could provide additional revenues to the province, which greatly needs them.

On the other hand, Mr. Robarts, premier of Ontario, expressed a favourable opinion by stating that he was for the minor amendments to legalize bingos and other ancillary lotteries.

Prince Edward Island, British Columbia, and Alberta are opposed in principle, but they are not against the expression of opinions. They did not bring forward any denial and they did not make any formal opposition.

The present Prime Minister (Mr. Pearson) also expressed a personal opinion at the conclusion of this conference, and I quote his words:

> The establishment of a federal lottery does not interest the central government, but amendment to criminal code will be examined in the light of the views expressed by the provinces.

Now, you see, Mr. Speaker, these are extremely serious thoughts, allowing the members or permitting them, if they so desire, to express their views and vote on this question, since we are aware of the opinions of several prime ministers, federal or provincial, and we have at our disposal the results of some popular surveys which leave no doubt on the increasing popularity of the idea.

Some time ago, I took part in some radio and television broadcasts on this matter, and I am happy to tell my colleagues that I have received over 1,200 letters from viewers and listeners who encouraged my efforts to convince the government that the time has come to act and to have the house decide on this question.

[Mr. Valade.]

There are also many social groups which have endorsed the legalization of lotteries, and still do, at the federal as well as the provincial level, as I am suggesting.

• (5:20 p.m.)

On November 19, 1963, there has been the Quebec Federation of School Boards. In its report, the Royal Commission on Health Services in Canada had advanced this possibility.

In a brief submitted to the Royal Commission on April 17, 1962, "L'Association des médecins de langue française du Canada, Quebec section, had also endorsed this idea. The United Textile Workers of America had also supported this view during a congress held in Trois-Rivières.

The Canadian federation of mayors and municipalities had also approved this opinion on May 31, 1963. On December 19, 1962, the Quebec Boards of trade had also agreed on the possibility of amending the Criminal Code in favour of lotteries.

The Canadian Railway Workers Federation, in a brief submitted to the federal government, also endorsed lotteries. And many organizations have supported and expressed opinions in favour of legislation to permit the setting up of provincial lotteries.

Now, Mr. Speaker, several advantages could be outlined in favour of lotteries. I will simply summarize five major ones to my way of thinking.

First, this legislation would leave the provinces entirely free to act or not to act in this field.

Second, the setting up of Canadian lotteries would stop the drain of our money to foreign countries; as reported in certain quarters, this amounts to something like $150 to $200 million per year.

It would also put a check on the illegal lotteries which are found in such great numbers in all the big cities of Canada. A provincial lottery would also be a source of employment for people who for lack of qualifications can only hold part-time jobs or do general work.

Fifth, it would be for the provinces a source of income voluntarily fed by the people and which could be used for provincial purposes exclusively.

There are throughout the world over 70 countries which operate a lottery and recently in the United States the state of New York, following the state of New Jersey, decided to operate its own lottery. What we are waiting

for in Canada is to do the same and assume our responsibilities.

Mr. Speaker, after five years of work and discussions, after a number of bills introduced exactly in that same spirit by colleagues in this house, the time has come to vote on that matter.

I note that some of my Social Credit colleagues have also put a bill similar to mine on the order paper. If in the past five years there have been discussions and investigations, and if even federal-provincial conferences have put this item on their agenda, so as to allow discussions on the advisability of amending the Criminal Code in order to legalize lotteries in the provinces, I wonder why we, legislators, are waiting to settle this matter.

Those who for reasons of political partisanship will object or practise obstruction, as is too often done in this house, in order to kill such a bill, will be answerable to their constituents whom they represent in the Commons. They will be answerable to public opinion in their riding.

A few years ago—I can see the Minister of Energy, Mines and Resources (Mr. Pepin) bursting out laughing. He does not seem to fear the opinion of his constituents. Perhaps he is callous and has joined, in his complacency, the former Quebec premier who paid for it through defeat during the last provincial election. But if hon. members of this house, especially those who represent Quebec ridings, do not realize that 80 per cent of the people of that province have declared themselves in favour of a provincial lottery and if the Minister of Energy, Mines and Resources (Mr. Pepin) is so energetic, why does he persist in objecting to a bill which answers and meets the aspirations of 80 per cent of the people who are called upon to elect him?

If for reasons of partisanship, some hon. members refuse to voice their opinions by a vote, they will have to account for it to those who are responsible for their election.

A few years ago a colleague of the Minister of Energy, Mines and Resources, the hon. member for Saint-Maurice-Laflèche (Mr. Chrétien) presented Bill No. C-2, to change the name of Trans-Canada Air Lines into Air Canada and, during the hour set aside for consideration of public bills, opposition members co-operated with the hon. member.

At that time, the bill to change Trans-Canada Air Lines' name into Air Canada was adopted, because we showed political responsibility in this house.

I urge members on the government side and the minister to call for a vote. That is not complicated and I know that by voting, we will be acting responsibly towards our constituents whom we represent in this house.

[*English*]

Mr. S. Perry Ryan (Spadina): Mr. Speaker, three private members bills relating to lotteries have been introduced during the present session of parliament, Bill No. C-38 being introduced by the hon. member for Sainte-Marie (Mr. Valade) who has just resumed his seat, Bill No. C-42 by the hon. member for Sherbrooke (Mr. Allard) and Bill No. C-84 by the hon. member for Essex West (Mr. Gray). The first two bills would amend section 179 of the Criminal Code, to permit a lottery organized and operated by a provincial government, where the purpose is, in the one case "to provide financial assistance to hospitals or for other welfare purposes, under provincial jurisdiction" or in the other case to provide "for payment in the province of additional amounts with respect to family allowances and old age pensions".

• (5:30 p.m.)

Bill C-84 sponsored by the hon. member for Essex West would repeal the provisions of section 168 which deals with common gaming houses, and would give certain immunities to social clubs, charitable and religious organizations, and would further repeal section 179 dealing with lotteries to give certain immunities to charitable and religious bazaars and allow a wider exemption for games and lotteries held by private charitable organizations, provided the gain to the organization is expended for a charitable purpose within six months. It would seem that recent stories about the financial success of lotteries in such places as New Hampshire in the United States, New South Wales in Australia, and New Zealand, have stimulated interest in this subject.

Bill C-42 immediately follows Bill C-38 on the public bills list, and it may be that today's debate will be continued in private members hour a week hence, as the subject matter of both bills is practically the same. There would seem to be little likelihood of Bill C-84 being reached in the present session, as it is No. 42 on the order paper.

Mr. Speaker, the last official inquiry in Canada into the policy of lotteries, including bingo and similar games, was made by a joint

committee of the Senate and House of Commons which made its report on July 31, 1956. The report recommended several minor clarifications of the lottery provisions of the Criminal Code and some comparatively minor relaxations in favour of charitable purposes, but it recommended expressly against state lotteries. It was recommended that three types of lotteries be permitted as follows:

1. Lotteries licensed under provincial authority in aid of charitable, religious and community purposes, provided the retail value of prizes offered by any one organization does not exceed $5,000 in any year, promotion expenses are prohibited, expenses such as rent and advertising are restricted, and audited reports are submitted to the licensing authority.

2. Small raffles of goods, without licence, in connection with non-commercial gatherings, provided the raffle is merely incidental to the gathering and the prizes do not exceed $50 in total value.

3. All midways at agricultural fairs, as presently allowed, with the further concession that agricultural fair associations be permitted, if licensed, to hold lotteries for prizes not exceeding a total of $10,000 yearly in connection with the presale of admission tickets.

The question of lotteries, particularly state lotteries, was discussed at the federal-provincial conference held in November, 1963 and the attitude of the provinces differed widely. Quebec put the case for state lotteries. Nova Scotia was not interested in a state lottery, but favoured some relaxation in favour of small raffles. Alberta, British Columbia and Saskatchewan were opposed to state lotteries. Manitoba expressed interest in the legalizing of off-track betting. Prince Edward Island expressed some interest in the New Hampshire scheme. Newfoundland did not take up a position. New Brunswick was not interested, itself, in conducting a state lottery, but had no objection to an amendment which would permit another province to do so. Ontario took somewhat the same position as New Brunswick, although it anticipated enforcement problems should a state lottery be set up in a neighbouring province. All these attitudes were informally stated. At the conclusion of the 1963 conference, the following press release was issued:

> Some provincial governments explained the difficulties they have in enforcing the provisions of the Criminal Code in respect of lotteries and gambling. Suggestions were made that the institution of provincial lotteries would alleviate this situation. Other provinces, however, opposed this suggestion. The federal government indicated that it had no interest in instituting a federal lottery but undertook to consider the amendment of the Criminal Code in the light of the view put forward.

The matter was considered again at the conference of attorneys-general on organized crime held in Ottawa on January 6, and 7, 1966. At this conference, provincial attitudes again varied widely and may be summarized as follows: Quebec again put the case for state lotteries under provincial auspices, expressing the view that such lotteries would help eliminate rackets in this field. Manitoba favoured some relaxation of the present provisions in favour of charitable and benevolent organizations, under provincial licence, the conditions to be uniform and stated in the Criminal Code; by implication it was against state lotteries. British Columbia was completely opposed to state lotteries; it considered that racketeers manage to get into even charitable and benevolent lotteries and that it is impossible to carve out a government niche free from danger of such intrusions.

Spokesmen for the province challenged the Quebec view that state lotteries would solve the racket problem and considered a review of the gambling laws to be more important than that of the lotteries laws, because gambling is one of the most important areas of organized criminal activity in Canada. They suggested an all party committee of the House of Commons to study gambling laws. Saskatchewan referred with approbation to a working paper which has been discussed by the criminal law section of the conference on uniformity of legislation in 1960; by implication Saskatchewan appeared to be against state lotteries. This working paper comprised a draft revision of the lottery sections designed to implement substantially the recommendations of the 1956 joint committee. The views of the section were in line with those of the joint committee, to the effect that any relaxation of the law should be in the field of charities. Ontario had no instructions upon, and no interest in, state lotteries, but it was not opposed to small charitable lotteries governed by the Criminal Code.

• (5:40 p.m.)

Nova Scotia was against state lotteries in Nova Scotia and in any other province because a state lottery in another province would put Nova Scotia in a very difficult political position. It felt, however, that the existing gap between present law and present practice brings the law into disrepute and adjustments are necessary, and it agreed

generally with Saskatchewan. Alberta and New Brunswick, being represented by their deputy attorneys general, made no comment and the record does not indicate that Prince Edward Island made any comment either.

At the conclusion of the conference of January, 1966, the following statement was issued:

> The government of Canada will consider lotteries and the gaming sections along with all other amendments to the Criminal Code suggested at this conference. As to lotteries and the gaming sections the report of the Senate and House of Commons committee, other representations received, the views expressed at this conference and the work already done in the Department of Justice will be examined and considered in the department and a report made to the government.

The reply that the Department of Justice has been making to all persons who have written to make representations, for or against state lotteries, or relaxation of the gaming and lottery provisions in their application to charitable organizations, is to refer to the statements issued following the federal-provincial conference of November, 1963, and that of January, 1966, and to state that the opinions received upon this somewhat controversial subject will be carefully considered in connection with the review that is now under way.

Generally speaking, Mr. Speaker, most of the churches have expressed themselves as opposed to state lotteries and to any extension of the immunities given to charitable and religious organizations, the Church of England going so far as to ask to be expressly excluded from such immunities.

Strong representations in favour of relaxing the immunities in favour of charitable organizations have come from certain service clubs. Representations in favour of state sweepstakes have come from various organizations and individuals, and particularly the Quebec government.

It is interesting to consider the experience of the United Kingdom where small pools and lotteries are legal. There have been two royal commissions on lotteries and betting in the United Kingdom since 1930. The first one sat in 1932 and 1933, and the second one in parts of the years 1949 and 1951. The 1932-33 report recommended against the institution of large lotteries in the United Kingdom, but said that if it should be decided to permit the institution of any large lotteries, the least objectionable form would be a state lottery for the benefit of the exchequer. Of course we have to bear in mind here that the United Kingdom is a unitary state, whereas we are a federation of federal government and ten provinces.

The 1949-51 commission considered the question of national lotteries as part of an inquiry into the whole field of gambling. Generally speaking, it did not find that gambling in moderation had any serious, economic, social or moral consequences. It did not believe, however, that the state should take a direct part in providing gambling facilities unless there were special reasons therefor. Approaching the question of a national lottery from these viewpoints, it said it did not consider that a lottery is a form of gambling which is likely to lead to excessive expenditure on the part of individuals or to an undue preoccupation with gambling.

It expressed the view that the estimate of revenue which may be obtained from a national lottery is usually greatly exaggerated by the supporters of the proposal, and it thought that a national lottery would add to rather than displace existing forms of gambling.

The commission said it did not overlook certain advantages of a national lottery: It was cheap to run; made no great demands on manpower; avoided any undesirable forms of advertising and inducement; assured honesty in administration; could be regulated in size to correspond with current economic conditions, and could be abolished without affecting vested interests. The commission concluded, however, that there was no important advantage to be gained by establishing a national lottery and no reason, therefore, to depart from the general principle that it is undesirable for the state to make itself responsible for the provision of gambling facilities.

Now, let us review some of the more important considerations in the Canadian context—

Mr. Valade: Would the hon. member allow a question?

Mr. Ryan: Certainly.

Mr. Valade: Although I am very much edified by some of the hon. member's remarks about the English commission on crime, does the hon. member not realize that we in Canada pay out over $200 million a year to foreign lotteries, and we allow this because of a law which is hypocritical in this regard? Is the hon. member himself favourable or unfavourable to establishing a national lottery? Does he not recognize that the inquiry

conducted in all the provinces has shown our people's opinion, and not England's opinion, on this matter? Does he not think it is our responsibility to follow the Canadian people's opinion and not that of the royal commission on crime in England? Is the hon. member for or against the proposal?

Mr. Ryan: Let me answer in my own way. I do not think there is anything hypocritical about the federal government's position on this matter. The enforcement of the Criminal Code of Canada is up to the provinces and not up to the federal government, and it is probably true that in many parts of Canada there should be greater enforcement of the Criminal Code. Second, I think I take a fairly moderate position on this whole matter. I cannot get too excited either one way or the other in this controversy.

Mr. Valade: Then why did the hon. member speak?

Mr. Ryan: The federal government is just not interested in lotteries. It has too many other things to think of, too many other priorities. Possibly it should be nationalizing the drug trade, or something like that, as one priority. If the provinces want to put their staffs and energies to work to set up lottery organizations, I do not see why we should not assist them—if they really want that. But they too must have priorities and other problems to take care of first.

Mr. Speaker: I regret I have to interrupt the hon. member but his time has expired.

Mr. Barry Mather (New Westminster): Mr. Speaker, as one who favours public control and public operation of lotteries I wish to say a few brief words. I do not intend to talk out this measure because I support the hon. member's proposal. First, it seems to me we should keep in mind that the question today is not whether we want to have lotteries: We have them. The last estimate I received showed we have 28 separate illegal lotteries operating in Canada.

Gambling and drinking are two of the world's most ancient frailties, and for a long time past governments have acted to control drinking. At present some 30 countries in the world have acted to control forms of gambling. In this country we have control of gambling at the race tracks, and some people would also say we have had control of gambling in the stock markets for many years.

I think we should have governmental control, provincial or federal, of publicly operated lotteries. One of the facts in support of this proposal is that at the present time many millions of dollars are leaving our country every year to go to privately and publicly operated lotteries in other countries, and it seems to me logical that we should try to keep this money at home.

A very modest estimate of sweepstake or lottery revenue for a province the size of my own, British Columbia, with quarterly lotteries conducted by the government, is that it would amount to over $1 million a year in extra public revenue. I look on the idea of a lottery conducted by a provincial or a federal government as an indirect or do-it-yourself tax. I believe that nowadays, when we are looking for revenue, we should not overlook any additional way to obtain it. Canada is one of the dwindling number of countries which do not have some form of government operated lottery. Over 30 different countries now have lotteries.

• (5:50 p.m.)

Finally, I would urge support of the hon. member's bill from the point of view of a respect for law. At present we have so many illegal sweepstakes and lotteries which are operated in Canada that the law is in great disrespect. I believe that if this were regulated by the provinces, those who wish to conduct lotteries would be able to do so with public support.

If we cannot bring this to a vote tonight, I should like to see this bill and one or two others like it referred to a committee such as the committee on justice and legal affairs. This committee could consider these bills jointly as has been done in respect of other proposals, and recommendations could be made. I should like to see this come to a vote.

[*Translation*]

Mr. Henri Latulippe (Compton-Frontenac): Mr. Speaker, I should like to say a few words on the bill and also thank the hon. member for Sainte-Marie (Mr. Valade) for a marvellous job across the country to find out the views of the whole population on lotteries. We are one hundred per cent behind him and we support all who favour the establishment of lotteries because the latter are needed by the provinces.

Many provinces have no idea where to find funds to finance education and all kinds of social programs, to finance all kinds of assistance programs for human beings. So,

we are far from being against lotteries. We want them because we feel that the millions or billions they would bring in would go to the people for the development and the education of Canadian citizens. It is a source of income we are losing at this time because, as it has been said by several others, much of this money is now going to other countries and in no way helps the cause of the Canadian people. I believe that if we pass this bill giving the provinces the opportunity of taking advantage of this act, or this amendment to the Criminal Code, we will do a great service to the population.

I again support the member for Sainte-Marie, and I think that all Canadians and all the members of our party and many other parties share these views. Lotteries have been talked about for a long time, particularly in the province of Quebec. This has been repeatedly requested for many years and Ottawa has always opposed any change to this effect in the Criminal Code. I believe that the time has come when we must assume our responsibilities and support vigorously the bill sponsored by the hon. member for Sainte-Marie. I suggest that we proceed with the vote without delay.

Mr. Auguste Choquette (Lotbinière): Mr. Speaker, I extremely regret that the sponsor of this bill, the member for Sainte-Marie (Mr. Valade), has talked for twenty minutes, since he has used up all the time allotted to him. If he could have restrained himself we would have had the opportunity to say what we wanted on the matter and afterwards the question could have been put. But the hon. member has taken up all the time allotted to him. He was entitled to twenty minutes and he has spoken for twenty minutes. He could have spoken for two minutes, because we were acquainted with the substance and the purpose of that bill. Instead of being reasonable enough to let several other members state their opinion, he took up all the time allotted to him, and will thus prevent the house from voting. He has, in other words, filibustered his own bill.

Mr. Valade: Mr. Speaker, I rise on a point of order. The hon. member for Lotbinière is not saying the truth when he states that I spent all the time available to me on a discussion of that bill. His colleague who spoke after me, also took the time allotted to him and the hon. member for Lotbinière is the second Liberal member to speak—when he could have allowed the house to take the vote.

Mr. Choquette: Mr. Speaker, beside the twenty minutes he has taken for his speech, he is now on a point of order to extend the debate further. The hon. member will preclude the vote.

This is what I had to say in respect of this bill. I agree with the principles involved in lotteries, as is everyone in the province of Quebec, if I may say so. On the other hand, I disagree with the bill as it is introduced by the hon. member because it is much too summary and we cannot see our way clear. First, in order that some lotteries may be instituted, of course, we need a government bill and not a private bill.

Second, in this private bill—this is its essential weakness—the operational structure of the lotteries is not outlined. How are we to rely on a bill so short and so simple to determine the existence of lotteries in the province and in the country?

Third, there is need for a uniform legislation in the country. Now, the bill leaves it up to the provinces to establish their own lottery, without knowing exactly what will happen in the other provinces. The province of Quebec may have lotteries, but supposing that Ontario and Manitoba prohibit lotteries, what might happen, if not a confusion which it will be difficult to prevent.

In view of such pitiable deficiencies, we are not in a position, for the time being, to say that the hon. member's bill should be passed. However, we can say—at least I can say so on my own behalf—that we will support the principle of such a legislation.

The member for Sainte-Marie stated: "I have made an investigation across the country". Basing myself on a remark of the Minister of Energy, Mines and Resources, I might very well say that I am going to make an investigation everywhere in the country and ask people if they are in favour of family planning. Everybody will say yes, but what means could we apply to implement such planning? Are we to favour abortion? The investigation made by the member has not indicated the object of his bill; this investigation reveals nothing, except that the principle is acceptable, but since the methods of implementation are not sufficiently determined, we cannot accept such a weak document. Mr. Speaker, that is why I am against the member's bill, although I favour its principle.

• (6:00 p.m.)

Mr. Valade: Mr. Speaker, I rise on a question of privilege. I am quite willing, in order

to edify the member for Lotbinière (Mr. Choquette) who talks in such a way as to leave doubts about the honesty of my investigation, to table the documents I used, provided he requests it.

Mr. Speaker: Order. Allow me to point out to the hon. member that it is now six o'clock. I do not wish to deprive the hon. member of his right to rise on a question of privilege, but I beg of him to be as brief as possible.

Mr. Choquette: Mr. Speaker.

Mr. Speaker: Order. One question of privilege at a time.

Mr. Choquette: I point out to the hon. member that he has just killed his own bill.

Mr. Valade: Mr. Speaker, I do not wish to argue with the Chair, but I would merely point out to Your Honour that the hour for private members' bills started only at 5.12. In fact, the business of the house planned for next Monday took 12 minutes. Therefore, we have another 12 minutes to deal with this bill.

Mr. Speaker: Unfortunately, according to standing orders, the hour assigned for private member's bills is now over.

[*English*]

It being after six o'clock, the house stands adjourned until 2.30 on Monday afternoon.

It being two minutes after six o'clock the house adjourned, without question put, pursuant to standing order.

HOUSE OF COMMONS

Monday, March 6, 1967

The house met at 2.30 p.m.

GEORGES PHILIAS VANIER

TRIBUTES ON PASSING OF LATE GOVERNOR GENERAL

Right Hon. L. B. Pearson (Prime Minister): Mr. Speaker, I find it more difficult than usual to find words adequately to express the grief that I know we all feel at the passing of our Governor General. That difficulty for me is increased by the recollection of our close personal friendship over so many years.

Since his death on Sunday morning messages have been coming in from the great in the world and from plain citizens in Canada, all testifying, high and low alike, to the affection that was felt for him by everyone. Among the first messages to arrive was one from Her Majesty the Queen, whose servant and representative in Canada he was. This message, which has already been made public, read:

> My husband and I are so deeply distressed to hear the tragic news of the Governor General's death. We send our deepest sympathy to you and the Canadian people and the Canadian government in the loss of this most distinguished Canadian.

He was indeed, Mr. Speaker, a distinguished Canadian and his whole life is a record of that distinction; a record of his service to Canada, a record of willing acceptance in peace and in war of every duty he was asked to perform or, perhaps I should put it, of every duty that he asked to be permitted to perform.

As we know, Mr. Speaker, General Vanier was trained for the bar to which he was called in 1911. He answered the call to arms shortly afterwards and served for three years in France as a gallant officer of a gallant regiment whose traditions he helped to create and maintain. The Distinguished Service Order, the Military Cross and bar and the Legion of Honour attest to his courage. His wounds attest to his sacrifices. After the war he returned to civilian life for a very short time, then again took up a military career, as a member of the permanent forces.

During the years he was in the army there was a steady promotion to new responsibilities until in 1928, I think it was, he was asked to be the Canadian military representative on the disarmament commission of the League of Nations at Geneva. At that time he acquired the interest in diplomacy and international affairs and in peace keeping which he retained throughout his life and which was recognized a few years later, in 1931, by the government of the day when he was made the secretary of the office of the high commissioner in London. It was at that time that our official and family association began, Mr. Speaker, which was broken only by his death.

After serving at Canada House in London, General Vanier was made Canadian minister to France. After the outbreak of war and the collapse of France in 1940 he returned after a series of adventures to London, where I had the privilege of meeting him and Madame Vanier on their return. Although he had been going through some pretty difficult and dangerous moments he had that calm imperturbability and good humour that always characterized him in any difficulty. During the war he went to Algiers, where he was the Canadian representative to the Free French government headed by General de Gaulle and established a relationship and friendship with General de Gaulle which has persisted to the present. Then after the liberation he went back to Paris as Canadian ambassador, where he and his wife became outstanding members of the diplomatic corps.

On his retirement from the diplomatic service he might well have looked forward to some years of peace and tranquility, but when he was asked by the prime minister of the day, now the right hon. Leader of the Opposition, to be Governor General he naturally accepted it as a call to duty. When his normal term of office ended and I as Prime Minister asked him to stay on, he agreed to do that at my request as long as his health permitted. That was permitted by his health until last week.

As you know, he had an operation last autumn, but he was recovering well from it except for his heart. I went to see him at Rideau Hall last Wednesday, after he had

been examined by specialists, in order to discuss with him whether his health would permit him to take on the very heavy duties of Governor General during our centennial year. We agreed to meet again on Friday, and at that time he indicated that he felt he would not likely be able to continue in office.

On Friday afternoon he made his last appearance before a group, when he talked to students of the University of Montreal very eloquently and impressively on a subject so dear to his heart, namely Canadian unity and the part which French speaking Canadians can play in the development of this country. Then, as we have learned, he spent Saturday evening indulging in a favourite pastime, watching the hockey game on television, and he enjoyed the victory of his favourite team. On Sunday morning this good and faithful servant passed away peacefully and quietly, without pain and with the spiritual solace of the last rites of his church.

His public career, as we know, was marked with distinction and wisdom in everything he undertook and with a broad understanding of Canada and its problems, coupled with faith and confidence in our ability as a people to solve those problems. He had a passionate belief in this country, in its unity, in its destiny of true greatness based on enduring values and patriotic ideals which should be shared by all its citizens. He made Canada and its unity his own crusade, in every word he uttered, in every visit he made and on every occasion that he honoured with his presence.

His French ancestors were among the very first settlers in Canada. He was very proud of that ancestry, but prouder still, I think, of the Canada of today. With roots so deep in our soil, he also saw far into the future and gave his all to make it a good future for the country he loved.

All his life he maintained that keen and expert interest in defence matters that befitted such a distinguished soldier and the commander in chief of the armed forces. He was always particularly interested in the welfare of the veterans. He was grand patron and honorary life member of the Canadian Legion, and he was the comrade of every legionnaire and every veteran.

As a man he had the dignity of the true patrician and the modesty and simplicity of the true gentleman. He had the calm security and inner strength that come from a deep belief in the Christian faith. His religion meant very much to him indeed. He was a devout man without being sanctimonious. He was a serious man but with a delicious sense of humour. He was a man of high quality without being stuffy or superior. Indeed, I believe our Governor General embodied in his own person and in his own life and achievements all that is best in Canadians and all that we hope for our country.

When General Vanier was installed as Governor General on April 15, 1959, he said this:

> Each one of us, in his own way and place, however humble, must play his part towards the fulfilment of our national destiny. To realize how mighty this destiny will be let us lift our eyes beyond the horizon of our time. In our march forward in material happiness, let us not neglect the spiritual threads in the weaving of our lives. If Canada is to attain the greatness worthy of it, each of us must say "I ask only to serve".

His request was granted. No Canadian has ever served more abundantly, more unselfishly or more gallantly.

We also think at this time of Madame Vanier, a very gracious, generous and, indeed, wonderful person who has earned and will retain her own place in the esteem and affection of the Canadian people. She was the perfect partner for her husband over the years; to his strength and his character she added her own superlative qualities of grace, kindliness and warmth. To Madame Vanier and to the children, who are following the family tradition of service, I am sure we all in this house would wish to send our deep and heartfelt sympathy. I know they are all getting comfort and support in this dark time from a faith which has given them the peace which passes all human understanding. To this spiritual peace is added the solace which comes from pride in the life of one dear to them, a life which had nothing in it of littleness or meanness, and everything that makes for a happy memory.

Mr. Speaker, when I saw the Governor General on Friday evening and he indicated to me that he did not think it would be possible for him to carry on, I said I hoped we could find some way of maintaining his association with our centennial year even if he did leave Rideau Hall. Then I made an observation which was picked, as it were, out of the air. I said "What we should do is give you a position which would in no way tax your strength but which would maintain your association with Canada in this centennial year; and perhaps I will ask you to go down to Quebec and take up residence there, at least for 1967, as Keeper of the Citadel."

He smiled at the idea of becoming a keeper. Indeed, it would have been a small honour for a man who throughout his life was the keeper of the citadel of truth and faith and honour.

[*Translation*]

Hon. Jean Marchand (Minister of Manpower and Immigration): Mr. Speaker, His Excellency General Vanier, Governor General of Canada, is dead. He departed very peacefully from this life on earth for the other in which he believed so deeply. His death does not seem like a break or an end but rather an expected transition which did not disturb the continuous and coherent course of his life.

Those who had the privilege to talk with the Governor General in the last months before his death could not help but notice the elevation of his thoughts and feelings. The breath of life which still kept him here revealed to us, without his being aware of it, the spiritual level which he had reached and which left human values far behind. Not that he had lost all interest in our problems. On the contrary, a few weeks ago in a private conversation, I had the honour of discussing with him the great problems which concern our world. I was amazed at the keen interest he took in the future of this country, to understanding between groups, to the brotherhood of men. From his lofty position, in spite of his wavering health, he was present and active to the end.

His Excellency General Vanier was the first French speaking Canadian to occupy the position of Governor General of Canada since Confederation. This event marks an important stage in the evolution of this country, because his appointment was not merely an act of condescension towards French Canadians. During his military and diplomatic careers, he was the embodiment of our people's aspirations, as well as the human symbol of our common ideal.

I hope the life of this great man who has just passed away will serve as an example for all those who believe in justice, peace and brotherhood.

All French Canadians, I am sure, wish the family of His Excellency to accept their heartfelt sympathy.

In conclusion Mr. Speaker I shall simply quote these few lines of verse by Charles Péguy:

Heureux ceux qui sont morts pour la terre charnelle,
Mais pourvu que ce fût dans une juste guerre.
Heureux ceux qui sont morts pour quatre coins de terre.
Heureux ceux qui sont morts d'une mort solennelle.
Heureux ceux qui sont morts dans les grandes batailles,
Couchés dessus le sol à la face de Dieu.
Heureux ceux qui sont morts sur un dernier haut lieu,
Parmi tout l'appareil des grandes funérailles.
Heureux les épis mûrs et les blés moissonnés.

[*English*]

Hon. Michael Starr (Ontario): Mr. Speaker, how little any of us thought when we adjourned on Friday that we would meet today under the tragic circumstance of the loss of our Governor General.

It is my sad duty this afternoon, in the unavoidable absence of the leader of Her Majesty's loyal opposition (Mr. Diefenbaker), to add to the tribute paid to General Vanier by the Prime Minister an expression of the sorrow that lies heavily at this time on the hearts of my colleagues here, and on their behalf to pay our heartfelt respects to the memory of a very great Canadian. As perhaps no other governor general in our history he was known and loved by every member of this house, and to an amazing extent by the millions of Canadians whom we have the honour to represent here.

I speak, too, of the sympathy we all feel for the gracious lady who was so often our hostess at Rideau Hall, whose charm and poise have so often been the chief ornament of this parliament in the other place, and whose so sudden bereavement cries out for the utmost of our sympathy, understanding and appreciation of the great loss that has come to her, to her sons and daughters, as well as to us and all Canadians.

Today we pay our profoundest respects not only to his memory as the representative of the Queen of Canada and head of the Commonwealth but also to his memory as a man, one would almost say the ideal man, and certainly one who set a standard and example of Canadian manhood which we would hope to see every one of our fellow citizens, young or old, emulate.

The word that will be linked over and over again with his career and character will be "gentleman". It is, perhaps, an old fashioned word. No one who knew him will say that he was in the ordinary sense old fashioned, but he did practise, as none other I have known, the old fashioned virtues of courtesy, kindness and consideration for his fellow men

whatever their station in life, whatever their creed or colour.

"A Christian," said Robert Louis Stevenson, "is God Almighty's gentleman." General Vanier was that kind of gentleman. During his term of office he gave a new dimension to the term Canadian. He was the first French Canadian since the Marquis de Vaudreuil to hold the post of governor general. Representing a different crown there was, nevertheless, a dedication and devotion unsurpassed.

He acted at all times with a largeness of view extending from the Atlantic to the Pacific encompassing the many shades and varieties of opinion, race and creed which make up the greatness of this nation. He was a great Canadian. In the tradition of Macdonald and Laurier he was beloved by Canadians. His name will live in the annals of the nation as one personifying in his conduct and his beliefs a type of Canadianism which all can follow regardless of origin.

This was a man whose vision of confederation was such that it embodied a living reality. He saw confederation as a rich stream of commonly shared experience and belief springing from two main cultural sources, widened, deepened and strengthened by the later infusions from other groups. He saw nothing contradictory in the flowing together of many cultures, all tending toward the same objective—a greater, finer and stronger Canada.

Surely we can all pay to his memory the tribute of our support of this powerful thesis, on the acceptance of which depends the future strength of this nation. Some of the things he said in his high office, with all the dignity and prestige of his personal and public stature will be remembered so long as there is a Canada. He stressed what is good, what is creative, and what is strong in our history and being. In his message on January 1, 1967 appear these thoughts:

> —let us remember and cherish that which is creative in our history—if we imagine that we can now go our separate ways within our country; if we think that selfish interests can now take precedence over the national good; if we exaggerate our differences or revel in contention; if we do any of these things, we will promote our own destruction—

His last formal message to Canada in that address was this:

> The resolution which the Canadian nation must now propose for 1967 and for the century to come, is the unity of our country.

[Mr. Starr.]

Mr. Speaker, as a member of this house and speaking on behalf of Her Majesty's loyal opposition, I endorse those words and put them forward as a goal toward which we must all strive. Their adoption is the greatest tribute we at this stage can pay to a great man who has passed from our midst.

A soldier of the Queen to the last breath; a patriot, statesman, devoted Canadian; an ornament to his province, his people and his nation; let us all unite in saluting a Canadian whose greatness we shall not soon see again.

[*Translation*]

Hon. Théogène Ricard (Saint-Hyacinthe-Bagot): Mr. Speaker, the death of General Georges P. Vanier plunges all Canadians into deep mourning, and French Canadians are particularly grieved.

The dignity with which this great Canadian discharged his military and diplomatic duties, as well as those of Governor General, has gained French Canadians much admiration and respect on the part of all Canadians. General Vanier was the true image of French Canada, namely respect for tradition and order. He was also proud of the part he had been given to play in history.

When he became the Queen's representative, General Vanier was succeeding another great Canadian, His Excellency the Right Hon. Vincent Massey, who was the first Canadian ever to hold such high office.

General Vanier's stay at Rideau Hall has shown that the two founding peoples of confederation have within their ranks men capable of serving their country with honour and attaining the highest position to which a Canadian can aspire.

The name of General Vanier will be inscribed in letters of gold in the history of Canada. His personal qualities, his wisdom and his courage will forever be a source of inspiration as well as legitimate pride to his compatriots.

General Vanier was not content to assume passively the role of representative of the crown. On the contrary. His inexhaustible optimism and dynamism inspired the life of the community. The Vanier Institute of the Family will stand as a lasting monument to his memory.

To Madame Vanier, so sorely tried, who contributed immeasurably to the affection we all felt for General Vanier, to the children and relatives of the illustrious deceased, I offer, on behalf of the French speaking Canadians, the condolences of a people who will always consider General Vanier as one of its noblest sons.

[*English*]

Mr. T. C. Douglas (Burnaby-Coquitlam): Mr. Speaker, in common with all Canadians, the members of the New Democratic Party are saddened and distressed at the passing of Governor General Georges P. Vanier, and we join most sincerely with those who have spoken in paying tribute to his memory.

Throughout the years we have had not only a profound respect and admiration for his public service but also a deep personal affection for him as a kind and warm hearted person. During his long term as Governor General he and Madame Vanier have broken through the trappings of their high office to endear themselves to us and to Canadians in every walk of life. His death at this time occasions a sense of personal loss as well as regret at the passing of an outstanding public figure.

The late Governor General was the personification of the dedicated public servant. In war and in peace he gave of himself unstintingly with modest courage and quiet determination. His heroism on the battlefield has added lustre to the already magnificent traditions of the famous Van Doos. His performance in a succession of overseas posts demonstrated his stature as a competent and effective diplomat.

But it was in the role of Governor General that he made his most lasting contribution to Canada. The grace and charm which His Excellency and Madame Vanier displayed won the hearts of the Canadian people. It was clear from the beginning that they loved the Canadian people and they were soon beloved by them in return. Personally what I shall cherish most in my memory of the late Governor General was his unfailing kindness to people in the every day walks of life. To me he will always be associated with the lines of Wordsworth:

> That best portion of a good man's life,—
> His little, nameless, unremembered acts
> Of kindness and of love.

General Vanier was the first French speaking Canadian to occupy the high post of the Queen's representative in this country. He himself was the personification of the finest attributes and culture of the two races that laid the foundations of Canadian confederation. Few men have done more to promote a better understanding and mutual appreciation between French speaking and English speaking Canadians than the late Governor General. His New Year's message to the Canadian people was a plea for good will and forbearance in learning to live together in harmony. But it was more than that. It was a challenge to all Canadians to realize the potential enrichment that can come from a bicultural and bilingual society. If Canada is to survive as a viable nation it must produce more men of the calibre of Georges P. Vanier.

Example is often much more important than pronouncements, no matter how sincerely they are expressed. The greatest contribution of the Vaniers may well be the lasting effect of their personal lives. With clear insight they recognized that the family is the heart of a nation's life. The formation of the Vanier Institute of the Family could be the most lasting memorial to one who in addition to being a distinguished public servant was also a good man in the finest meaning of that word.

General Vanier's concern for the family as the well-spring of our national life was undoubtedly motivated by his own happy family life. His successful tenure of office as Governor General was enhanced by the devoted assistance of his gracious, charming and highly intelligent wife. Together they symbolized all that was best in Canadian life, and they displayed a genuine fondness for people which was reciprocated in increasing measure with the passing years.

Today we mourn the passing of one who was a great Canadian and a true friend. While we shall miss him we shall also be challenged by his example. Because he lived, Canada will be a better place and we shall all be better men and women. That is his tribute, and that will be his epitaph. All of us join in extending to Madame Vanier and the members of his family our deepest sympathy at the loss which they and we have sustained. Our sorrow is great, but it is lessened by the memory of a life lived to the full in dedicated service to Canada.

[*Translation*]

Mr. Raymond Langlois (Mégantic): Mr. Speaker, the whole country was saddened on learning of the death of His Excellency the Governor General, Mr. Georges P. Vanier. Every Canadian is moved and affected by the departure of this man who worked unceasingly to improve the lot of his fellow-men in all circumstances and everywhere he happened to be.

[*English*]

Mr. Speaker, his life activities, whether political, military, social or other, always reflected the great respect he had for his

country. He was a brilliant example of what Canadianism really is, a sentiment that he tried to communicate throughout his lifetime to his fellow countrymen.

I shall not try to give a life history of General Vanier. The Prime Minister has done so in a marvellous way. I am only sorry that I could not also have been a close personal friend of His Excellency. However, with all Canadians I feel I was his friend because his lifetime activities devoted to the welfare and benefit of the Canadian people could not but make one feel a close relationship with the greatness of this man. As a young member of parliament I feel it my duty to ask young Canadians today to look upon Georges P. Vanier as I do; as a model of a true, honest and sincere Canadian.

[*Translation*]

It is all the more of a privilege, Mr. Speaker, that General Vanier was among my ancestors in the province of Quebec.

His activities, his sense of justice, his regard for Canada, the tasks he accomplished over a period of almost three quarters of a century, always striving to promote national unity, understanding and peace, in short, the achievements of this valorous man should make him an idol of all Canadians, whatever their origins.

French Canada can be proud of having produced such a great man. His labours, his patience, his devotion cover a period of three quarters of a century and I appeal to all Canadians, young, middle-aged and advanced in years, to consider that here was a true Canadian who was devoted to the welfare of his country, respectful of its traditions and convictions, while respectful of those of others.

[*English*]

Mr. Speaker, to any Canadian of the future General Georges P. Vanier will be as he was to those who knew him in his lifetime, a man of honour, wisdom and understanding, a just man and a man of great distinction who always had that humbleness about him that when I as a fairly young Canadian heard him speak, reminded me of my father. I think to the Canadian people he was everyone's father.

[*Translation*]

To Mrs. Vanier, her children and family, we extend our deepest sympathy.

Mr. Speaker, I am not only paying tribute to a great Canadian, but to one of the greatest Canadians in our history.

[*English*]

Mr. A. B. Patterson (Fraser Valley): Mr. Speaker, the members of the Social Credit party wish to join in expressing our sorrow and deep sense of loss in the passing of our respected and beloved Governor General, Georges P. Vanier. General Vanier's distinguished and heroic military career, his outstanding service in the diplomatic service of our country, and the efficient and dedicated manner in which he fulfilled his responsibilities as the representative of Her Majesty the Queen have combined to assure him of a special place in the hearts of Canadians and in the history of this nation.

While fully recognizing the outstanding contribution made in these important fields of service there is another area in which his example and influence and that of Madame Vanier will long be remembered and appreciated, namely in emphasizing the importance of spiritual values and the development and maintenance of the family as the foundation and bulwark of the nation. Deeply religious, warm hearted and sincere, dedicated and courageous, Governor General Vanier, though dead, still speaks, challenging us all to thrust aside those things which divide and destroy and to press forward under God to build an even greater and better nation.

We join in extending to Madame Vanier and the members of the family our sincere sympathy and the assurance of our prayers.

Mr. Pearson: Mr. Speaker, with respect I should like to suggest that you might be pleased to convey in an appropriate manner the record of today's proceedings, in a form which you consider appropriate, to Madame Vanier as an indication of the feeling of pride we have in our late Governor General and our feeling of loss at his passing. I should like also, Mr. Speaker, if I might, to suggest that you might convey to Madame Vanier and her family an expression of our deep and heartfelt sympathy.

Hon. G. J. McIlraith (Minister of Public Works) moved:

That this house adjourn until Thursday, March 9, at 2.30 p.m.

Motion agreed to and the house adjourned at 3.20 p.m. until Thursday, March 9.

HOUSE OF COMMONS

Thursday, March 9, 1967

The house met at 2.30 p.m.

FINANCE, TRADE AND ECONOMIC AFFAIRS

Mr. H. E. Gray (Essex West): Mr. Speaker, I have the honour to present the twenty second report of the standing committee on finance, trade and economic affairs.

[*Translation*]

Mr. Speaker, the report is in both French and English.

[*Note: Text of the foregoing report appears in today's Votes and Proceedings.*]

[*English*]

HER MAJESTY THE QUEEN

REPRESENTATION AT FUNERAL OF LATE GOVERNOR GENERAL

On the orders of the day:

Right Hon. J. G. Diefenbaker (Leader of the Opposition): Mr. Speaker, I raise this question because of the fact that it has already received attention in the press, and to give the Prime Minister an opportunity to explain a situation that has already caused a great deal of questioning. Did the Prime Minister, in his constitutional position relative to Her Majesty, ask for representation of Her Majesty at the funeral of His Excellency the late Governor General? Was there such communication with the government of the United Kingdom? I ask the question because I know the Prime Minister will wish to clarify it before it assumes the proportions that are apparently developing.

Right Hon. L. B. Pearson (Prime Minister): I do not know, Mr. Speaker, whether it is a proper question at all, but it has been asked. I would point out, Mr. Speaker, that I had been in touch with the palace on this matter immediately after the death of the Governor General.

I regret to have to report on this at this time, but I point out that when the administrator was sworn in Her Majesty the Queen was then represented by the administrator. He has all the powers of the Governor General, and he represented the Queen. I think that was the proper constitutional procedure. It was up to the British government, of course, to decide how they would be represented at the funeral, and they were represented.

Mr. Diefenbaker: May I say at once that the Prime Minister has clarified the situation. That is the reason the question was asked; the press has devoted considerable space today in this connection. Now the Prime Minister has given the answer.

CANADIAN BROADCASTING CORPORATION

APPRECIATION ON COVERAGE OF FUNERAL SERVICE FOR LATE GOVERNOR GENERAL

On the orders of the day:

Mr. T. C. Douglas (Burnaby-Coquitlam): I wish to direct a question to the Minister of Finance, but perhaps before doing so I might be permitted to say to the Secretary of State that I hope she will convey to the Canadian Broadcasting Corporation the appreciation which many of us felt yesterday for the competent and inspiring way in which the corporation transmitted to the people of Canada the moving service which was held in the Basilica for the late Governor General.

Some hon. Members: Hear, hear.

FINANCE

MERCANTILE BANK—REPORTED STATEMENT BY CHAIRMAN OF NEW YORK BANK

On the orders of the day:

Mr. T. C. Douglas (Burnaby-Coquitlam): Mr. Speaker, I want to ask the Minister of Finance whether his attention has been drawn to the statement made by Mr. James S. Rockefeller, chairman of the First National City Bank of New York to the effect that his bank has no idea of getting out of the Mercantile Bank of Canada. Has the minister asked Mr. Rockefeller for any clarification of this statement? Does it mean that Citibank has no intention of divesting itself of any shares, or does it simply mean it intends to hold on to whatever percentage of shares it is

allowed to hold under the amendments to the Bank Act which will be coming into effect?

Hon. Mitchell Sharp (Minister of Finance): Anticipating a question of this sort I made inquiries as to what Mr. Rockefeller had actually said. The information I have is as follows. The first question put to Mr. Rockefeller was "What about the Mercantile mess? Why don't you sell out?" To which Mr. Rockefeller replied "Because we have confidence in the future of Canada and of the Mercantile Bank and we have no intention of getting out of Canada."

The second question was "Why don't you put pressure on the Canadian government?" Mr. Rockefeller's answer was:

> Because we don't want to interfere with the right of a sovereign government to make its own laws. We would not do anything to give the impression to the Canadian government that we are putting pressure on them. We just maintain the status quo until they decide what the law ought to be.

Mr. Douglas: What interpretation does the minister place on this statement by Mr. Rockefeller? Is it his intention to proceed with the recommendation of the banking committee that there should be a five year period allowed during which the bank could divest itself of its shares?

Mr. Sharp: Mr. Speaker, I am sure you will recognize that this is not a proper question to ask at this time. The report of the committee is now before the house and it will be considered by the house when we get an opportunity.

Right Hon. J. G. Diefenbaker (Leader of the Opposition): I would direct my question to the Minister without Portfolio, the former minister of finance for the purpose of identification. Was this question of the Mercantile Bank considered by the task force set up to look into this matter of United States investment and headed by the hon. gentleman? Was this question before the committee, and is he in agreement with the suggestion of a five year postponement or freeze, putting the whole thing into deep freeze for that period?

Mr. Speaker: Order. I have some doubt as to whether the question is proper. The Leader of the Opposition knows that the Chair is always in a difficult position in trying to determine whether a question is asked of a minister in his ministerial capacity. I have been in trouble before on this point and I expect to get into trouble again. Perhaps the right hon. gentleman would like to bear this

in mind and direct his question to someone else in the ministry.

Mr. Diefenbaker: This time I come squarely within the rules. This is the minister who is in charge of the task force. He is the one who is looking after it. I would ask him, as chairman of the task force looking into this question, was the Mercantile Bank matter brought to his attention, or does the task force just start to sit after it becomes useless to do so in this connection?

Mr. Speaker: Perhaps the question should be directed to the right hon. Prime Minister, who seems to be ready to reply.

Right Hon. L. B. Pearson (Prime Minister): Yes, Mr. Speaker. I would be very glad to put the right hon. gentleman right. In the first place his question was out of order, if he would read the rules; but apart from that—

Mr. Diefenbaker: I followed the rules.

Mr. Pearson: —the hon. gentleman is not chairman of any task force, as my right hon. friend would have realized if he had read the press release at the time.

Mr. Diefenbaker: What is he?

Mr. Pearson: He is chairman of a committee of ministers of the cabinet looking into a certain question.

Mr. Diefenbaker: What question?

Mr. Pearson: A task force has been set up to report to that committee of ministers. Now, Mr. Speaker, my right hon. friend has been in this house a long time—

Some hon. Members: Too long.

Mr. Pearson: —and may be in it for a much longer time, and he must know it is out of order to have cabinet ministers, meeting in committee, report to the house and not to the Prime Minister and the cabinet as a whole.

Some hon. Members: Hear, hear.

Mr. Diefenbaker: May I say at once the question is not out of order. I ask the Prime Minister now, was the Minister without Portfolio consulted regarding this deep freeze proposition, like saying "Don't open until Christmas—don't open until five years from now"? Was he consulted on this, or was it because he was not consulted that he went to the Caribbean?

Mr. Pearson: Mr. Speaker—

Mr. Speaker: Order, please. I would think that at this point the right hon. Leader of the Opposition is asking about communications between ministers of the cabinet and that, obviously, is not in order.

[*Translation*]

ROYAL CANADIAN MOUNTED POLICE

APPOINTMENT OF UNILINGUAL LIAISON OFFICER WITH EXPO '67

On the orders of the day:

Mr. Gérard Laprise (Chapleau): Mr. Speaker, I should like to put a question to the Solicitor General of Canada.

Is it true that a unilingual R.C.M.P. inspector has been appointed as liaison officer between the federal police and the Expo security services and, if so, will the minister take steps to appoint a bilingual officer to that important position?

Mr. Speaker: Order. I am not quite sure whether this question is so urgent that it could not be put on the order paper. At any rate, that is my suggestion to the hon. member.

Mr. Gilles Grégoire (Lapointe): A supplementary question, Mr. Speaker.

Mr. Laprise: At ten o'clock, Mr. Speaker.

Mr. Speaker: Order. The hon. member for Chapleau gave notice that he wishes to discuss this question at ten o'clock, in view of my ruling that it was not sufficiently urgent to be put immediately.

Mr. Grégoire: Mr. Speaker, on a point of order, if you will permit me to justify the urgency of the question. I should note that Expo opens in a month and a half, approximately, and that security operations are already—

Mr. Speaker: Order. Obviously, I have taken into consideration the fact that Expo opens only in a month and a half and that is why I suggested that the hon. member put his question on the order paper.

[*Later:*]

Mr. Grégoire: Mr. Speaker, I should like to put a question to the Solicitor General of Canada. Has he received complaints from Expo '67 officials to the effect that it would be urgent to change the R.C.M.P. inspector appointed to the security service at Expo?

Mr. Speaker: This question is essentially the same as the one which was considered as unacceptable a moment ago. The hon. member, by putting it now, undoubtedly wished to discuss it on the adjournment motion?

[*Later:*]

Mr. Grégoire: Mr. Speaker, in view of the fact that we still have 10 minutes left in the question period and nobody else seems to have any questions, and after considering the type of questions put—

Mr. Speaker: Order. The hon. member has only 10 minutes, so would he put his question?

Mr. Grégoire: Very well, Mr. Speaker. I consider that the question I put a while ago is urgent, and I would ask you, since we have 10 minutes left, to allow the minister responsible to the house for the Royal Canadian Mounted Police to answer the question—

Mr. Speaker: Order. The procedure suggested by the hon. member is dangerous.

[*English*]

EXTERNAL AFFAIRS

VIET NAM—REPORTED PEACE EFFORTS BY ITALIAN AMBASSADOR

On the orders of the day:

Mr. A. B. Patterson (Fraser Valley): Mr. Speaker, I would like to direct a question to the Secretary of State for External Affairs. In view of the peace efforts made by the Italian ambassador in Saigon, acclaimed by the Italian foreign minister as producing the best results to date, could the Secretary of State for External Affairs bring the house up to date on these developments in Viet Nam?

Hon. Paul Martin (Secretary of State for External Affairs): Mr. Speaker, I am sure there will be a time when this can be done, but I am also sure my hon. friend would agree that this is not the moment. These efforts are under way and it would be wholly improper for me to disclose them.

REPORTED SPEECH BY STATE SECRETARY RESPECTING U.S. DRAFT DODGERS

On the orders of the day:

Hon. E. D. Fulton (Kamloops): Mr. Speaker, may I ask the right hon. the Prime Minister whether the statement purported to have been made by the Secretary of State in Philadelphia on Saturday, to the effect that United States citizens who wish to evade

their responsibilities under the draft law of that country will find a welcome here in Canada, represents the policy and the position of the government?

Right Hon. L. B. Pearson (Prime Minister): Mr. Speaker, the Secretary of State will explain the situation.

Hon. Judy V. LaMarsh (Secretary of State): Mr. Speaker, I am happy to say—

Mr. Speaker: Order, please. The rule of the house is that in relation to a speech made outside the house hon. members can only ask the Prime Minister whether that statement made by a minister represents government policy. This is precisely the question the hon. member has asked. Perhaps by agreement hon. members would prefer to have the statement made by the Secretary of State; perhaps this would be in order.

Miss LaMarsh: Mr. Speaker, I should like to reply by way of a question of privilege if necessary, because my hon. friend's erroneous information concerning the remarks I made in Philadelphia is now on the record. I have in my hand the only newspaper report there was as a result of that particular press conference, where I pointed out that I was not responsible for immigration but for citizenship and that any such individual who wished to come to this country was free to enter it. "Free", that was the only word used. The word "welcome" was not used. The newspaper report goes on to say that if the immigrant indicated after entering that he reserved the right to decide himself whether or not he would serve when this country was at war, he would not be considered to be suitable to be admitted to Canadian citizenship.

Mr. Eric A. Winkler (Grey-Bruce): May I ask a supplementary question, Mr. Speaker. I should like to ask the minister whether she could inform the house in any detail whatsoever where these draft dodgers who enter Canada are being employed.

Miss LaMarsh: I do not have the slightest idea. I am not responsible for immigration, nor for employment policy.

INDUSTRY

REPORTED PREFERENCE TO U.S. FIRMS IN OBTAINING RAW MATERIALS

On the orders of the day:

Mr. P. B. Rynard (Simcoe East): Mr. Speaker, I would like to address a question to the Minister of Industry. Is it a fact that Canadian industries have lost valuable orders to firms in the United States which have been able to obtain strategic industrial raw materials in Canada in preference to Canadian industry?

Hon. C. M. Drury (Minister of Industry): Mr. Speaker, I am afraid—

Mr. Speaker: Order, please. I have some doubt about the validity of the question at the present time, but I understand the hon. member has been very patient, waiting for recognition from the Chair for quite some days to ask this question, and I think the Minister of Industry might accept to reply to it.

Mr. Drury: Mr. Speaker, this is a very large question and a very general one. I think undoubtedly there are United States firms which further process strategic materials from Canada and that such firms have been successful in competing with Canadian firms. If there is a specific case where there appears to have been discrimination or injustice, then I would be glad to look into it.

Mr. Rynard: Mr. Speaker, I will be very glad to give the minister a specific case.

FINANCE

PERSONNEL OF TASK FORCE RESPECTING FOREIGN OWNERSHIP IN CANADA

On the orders of the day:

Mr. David Lewis (York South): Mr. Speaker, I have a question for the Minister without Portfolio and chairman of the committee of ministers to inquire into foreign ownership in Canada. I should like to ask him whether he is now in a position to inform the house what is the composition of the task force which the right hon. the Prime Minister stated would be set up under that committee.

Hon. Walter L. Gordon (Minister without Portfolio): Yes, Mr. Speaker. The members of the task force include the following: Professor Melville Watkins of the University of Toronto, chairman; Professor A. E. Safarian, formerly of the University of Saskatchewan and now at the University of Toronto; Professor W. J. Woodfine of St. Francis Xavier University, Nova Scotia; Professor Bernard Bonin of École des Hautes Études Commerciales, Montreal; Professor Abraham Rotstein of the University of Toronto; Professor Stephen Hymer now at Yale University and formerly at McGill University.

It is expected that two additional members will join the task force, but they have not yet been sworn in.

Mr. Diefenbaker: I thought there was not a task force.

Mr. Gordon: The two additional members are Professor Gideon Rosenbluth of the University of British Columbia and Professor Claude Masson of Laval University who at present is at Harvard.

HOUSING

INQUIRY AS TO ADDITIONAL INCENTIVES FOR CONSTRUCTION INDUSTRY

On the orders of the day:

Hon. George Hees (Northumberland): Mr. Speaker, I should like to address a question to the Minister of Labour, but in his absence I will address it to the Prime Minister. In view of the drop in housing starts in January, to 30 per cent below the preceding January, and the clear indication from these figures that we will not reach anywhere near the 170,000 starts this year which according to the Economic Council of Canada are necessary if we are to avoid a serious shortage, has the government—

Mr. Speaker: Order, please. The hon. member knows that questions should not be preceded by speeches, however short. Has the hon. member now reached the question?

Mr. Hees: Yes, Mr. Speaker; I now have laid the groundwork for my question. I should like to ask the Prime Minister, in view of the housing situation today, whether the government has decided on any additional incentives to induce the house building industry to produce the 170,000 housing starts which, as explained by the Economic Council of Canada, are necessary.

Right Hon. L. B. Pearson (Prime Minister): Mr. Speaker, this matter has been discussed in the house. The minister concerned is not present, but he has been speaking on this matter. When he comes back I will be glad to discuss it with him in light of the hon. gentleman's question, but not in relation to the preamble.

Mr. Hees: Mr. Speaker, I have a supplementary question. Is the government considering additional incentives to induce a greater volume of housing starts in Canada this year?

Mr. Pearson: Steps have already been taken in this regard, and more are under consideration.

Hon. E. D. Fulton (Kamloops): Mr. Speaker, I should like to ask a supplementary question. Can the Prime Minister tell us when the Minister of Labour will stop speaking and start acting on this very pressing problem?

Mr. D. V. Pugh (Okanagan Boundary): Mr. Speaker, I should like to direct a supplementary question to the Minister of Finance asking him whether, in light of the circumstances referred to in the previous question, the government is considering removing the 11 per cent sales tax on building materials.

Hon. Mitchell Sharp (Minister of Finance): No, Mr. Speaker.

[*Translation*]

AGRICULTURE

REQUEST FOR ANNOUNCEMENT OF DAIRY POLICY

On the orders of the day:

Mr. Réal Caouette (Villeneuve): Mr. Speaker, I wish to direct a question to the Minister of Agriculture.

In view of the numerous requests we are getting from dairy producers associations in Canada, is the minister in a position to tell us when we can expect him to announce to the house the dairy policy for 1967-68?

Mr. Speaker: That question was asked last week and I think that the minister answered it.

[*English*]

COAL

NOVA SCOTIA—SUGGESTED DELAY IN ACQUISITION OF DOMINION COAL COMPANY HOLDINGS

On the orders of the day:

Mr. Robert Muir (Cape Breton North and Victoria): Mr. Speaker, I should like to direct my question to the right hon. Prime Minister. In view of recent developments and the apparent delay in the acquisition by the government of the holdings of the Dominion Coal Company, will he give consideration to the recent suggestion of Mr. John H. Delaney, international board member of the United Mine Workers, that the government get on with the job of operating and improving the coal mines and that the price to be paid for these assets be established by independent arbitrators?

Right Hon. L. B. Pearson (Prime Minister): Mr. Speaker, there has been no delay. Negotiations are now proceeding, but perhaps my hon. friend is not as aware of the complex

and important nature of these negotiations as we are over here.

Mr. Muir (Cape Breton North and Victoria): Mr. Speaker, I agree with the right hon. gentleman that this is a complicated matter, but does he not agree that there has been enough delay regarding what is to be done for coal miners in Nova Scotia without adding to it the time consuming diversion relating to the question of price?

Mr. Speaker: Order.

Mr. Donald MacInnis (Cape Breton South): Mr. Speaker, I have a further supplementary question based on the Prime Minister's reply to the effect there has been no delay. Is he aware of the dilemma which faces the coal company in making up its mind about the price it should ask the government to pay for its assets? Does he not consider this to be causing delay?

Mr. Pearson: No, Mr. Speaker.

[*Translation*]

VOCATIONAL TRAINING

QUEBEC—AGREEMENT RESPECTING TRAINING PROGRAM

On the orders of the day:

Mr. Maurice Allard (Sherbrooke): Mr. Speaker, I should like to put a question to the hon. Minister of Manpower and Immigration.

With regard to the new federal manpower training program, has the minister, or his government, reached an agreement with the Quebec government on which of the two governments will have the power to determine manpower priorities?

Hon. Jean Marchand (Minister of Manpower and Immigration): Mr. Speaker, negotiations are now in progress between my department and the provincial department of immigration. I am not in a position to give any details on the agreement which has been or will be reached.

[*English*]

EXTERNAL AFFAIRS

REQUEST FOR REPORT ON CONVERSATIONS WITH U.S. VICE PRESIDENT

On the orders of the day:

Hon. D. S. Harkness (Calgary North): Mr. Speaker, I have a question for the Secretary of State for External Affairs. Can the minister make some report to the house about the conversations he had yesterday with Mr. Humphrey, the Vice President of the United States?

Hon. Paul Martin (Secretary of State for External Affairs): Mr. Speaker, I am sure members of the house warmly welcomed the visit paid by the Vice President of the United States to Ottawa yesterday on the occasion of our national sorrow. This was a visit prompted by a decision of the President of the United States.

My colleagues and I had an opportunity of discussing matters of interest to our two countries. I am sure that as a former member of the cabinet of another government, my hon. friend would realize that it is not possible to disclose the nature of such conversations.

Mr. Harkness: A supplementary question, Mr. Speaker. Is the minister not in a position to inform the house of any results arising from these conversations?

Mr. Martin (Essex East): I cannot add to what I have said, Mr. Speaker.

SUGGESTED RENEGOTIATION OF MIGRATORY BIRDS CONVENTION

On the orders of the day:

Mr. Robert Simpson (Churchill): Mr. Speaker, I should like to direct a question to the right hon. Prime Minister. Some time ago I directed several questions to the Prime Minister in relation to the possibility of amendments to the Migratory Birds Convention Act in order to clear up some of the difficulties as between that act and our Indian treaties. The Prime Minister mentioned that this matter was being studied. I wonder if he can now say whether a decision has been reached.

Right Hon. L. B. Pearson (Prime Minister): Mr. Speaker, I cannot, at this moment; but I will look into it right away and reply as soon as I can.

INQUIRY AS TO MEETING OF STANDING COMMITTEE

On the orders of the day:

Mr. W. B. Nesbitt (Oxford): Mr. Speaker, I should like to direct a question to the hon. member for Restigouche-Madawaska, the chairman of the standing committee on external affairs. Now that the hon. member has returned to this house after his official duties abroad I should like to ask whether it is his

intention to convene the committee on external affairs as soon as possible.

Mr. Jean-Eudes Dubé (Restigouche-Madawaska): Mr. Speaker, I was away last week and I realize now that the order for the standing committee on external affairs to meet has been adopted. We are prepared to meet at any time, and I expect to call a meeting of the steering committee very shortly.

INDIAN AFFAIRS

CANCELLATION OF PROPOSED VISIT BY COMMITTEE TO B.C. RESERVATIONS

On the orders of the day:

Mr. Frank Howard (Skeena): Mr. Speaker, I should like to direct a question to the Minister of Public Works in his capacity as house leader. Can the minister give any explanation to the house why a proposed visit by the Indian affairs committee to a number of Indian reservations in British Columbia was cancelled?

Hon. G. J. McIlraith (Minister of Public Works): No, Mr. Speaker; I am not aware of the internal administrative decisions of that committee.

Mr. Howard: A supplementary question, Mr. Speaker. I did not—

Mr. Speaker: Order, please. It seems to me that the question asked by the hon. member has reference to the deliberations and conduct of affairs of a committee. I am not sure whether the question should be asked at this time.

Mr. Howard: With your permission, Mr. Speaker, I would point out that I was not seeking to ask about the internal conduct of the committee itself but the conduct of the house leader. I asked the house leader whether he has any knowledge of why the trip of that committee was postponed, and whether he had any hand in it. That is my question.

Mr. Speaker: The minister has answered the question.

NATURAL GAS

REPORTED NEW PROPOSAL FOR TRANSMISSION TO EASTERN CANADA

On the orders of the day:

Mr. H. A. Olson (Medicine Hat): Mr. Speaker, I should like to address a question to the Minister of Energy, Mines and Resources. In view of the fact that Northern Natural Gas Company has placed before the United States federal power commission a completely new proposal to move gas to eastern Canada, has the minister received any indication or notice that Trans-Canada intend to withdraw or change their application to the United States federal power commission?

Hon. Jean-Luc Pepin (Minister of Energy, Mines and Resources): As a matter of fact, Mr. Speaker, I was given the contents of a declaration made at noon by the president of Trans-Canada Pipe Lines. The president is challenging the compromise project on the basis that it is not as economical as the Great Lakes project, and on the basis that it would not be completed in time to provide the Canadian needs of gas for next winter.

Mr. Olson: A supplementary question, Mr. Speaker. Did the chairman of Trans-Canada Pipe Lines indicate to the minister that that company intends to proceed with the application it now has before the federal power commission of the United States?

Mr. Pepin: Yes, indeed, Mr. Speaker.

Mr. David Lewis (York South): A further supplementary question, Mr. Speaker. May I ask the minister whether, in view of the time this case is taking before the federal power commission, and the fact that it is obviously likely to take a great deal more time, he would now consider getting Trans-Canada to start work in twinning the northern line?

Mr. Pepin: Mr. Speaker, the position of the minister and the government has been clearly stated in a letter which was sent to Mr. Kerr on February 2 and which was reported by the press and reproduced as an appendix to a document issued by the federal power commission of the United States.

[*Later:*]

Mr. Lewis: Mr. Speaker, in reply to a question which I put a few minutes ago to the Minister of Energy, Mines and Resources regarding the Trans-Canada Pipe Lines' application before the United Stated federal power commission, the minister referred to a letter which he had sent to the president of Trans-Canada Pipe Lines. He was good enough to let me see that letter, which he said appeared in a publication of the federal power commission. I should now like to ask the minister whether he would be prepared to table that letter to the president of Trans-Canada Pipe Lines, since he has referred to it and based his reply to my question on it.

Mr. Pepin: I will do so, Mr. Speaker.

Mr. Speaker: Has the minister leave to table the letter to which the hon. member has referred?

Some hon. Members: Agreed.

TRANSPORTATION

INQUIRY AS TO REPORT ON MARITIME STUDY

On the orders of the day:

Mr. J. M. Forrestall (Halifax): Mr. Speaker, my question is to the Minister of Transport; I see that he is well sun tanned. I wonder whether, having already avoided this question three times, he could now tell us if the report on the special maritime transportation study has been brought to his attention. Has the minister seen it, and if so, can he advise the house when we will be able to get on with it?

Hon. J. W. Pickersgill (Minister of Transport): Mr. Speaker, I am afraid I will have to continue my evasive tactics.

AIRPORTS

WINNIPEG—REQUEST FOR INSTALLATION OF ESCALATORS

On the orders of the day:

Mr. George Muir (Lisgar): Mr. Speaker, I have a question for the Minister of Transport. Since there was an item in last year's estimates covering the installation of escalators at the Winnipeg international airport, I wonder whether the minister would consider it to be another of his centennial projects to see that this work is completed this year.

Hon. J. W. Pickersgill (Minister of Transport): It seems a very worth while suggestion, sir.

Mr. Speaker: Order, please.

FINANCE

REQUEST FOR RESTORATION OF "BLUENOSE" ON TEN CENT PIECE

On the orders of the day:

Mr. Lloyd R. Crouse (Queens-Lunenburg): Mr. Speaker, I wish to direct a question to the Minister of Finance. In view of further representations made to the minister by interested citizens throughout the Atlantic provinces regarding the *Bluenose* dime, has the minister secured sufficient documentary evidence to prove that the ship on the dime was the *Bluenose,* and has the government reached a decision to restore the *Bluenose* to her place of honour on the dime beginning with our coinage in 1968?

Some hon. Members: Hear, hear.

Mr. Speaker: Order, please. That question should be placed on the order paper.

Mr. Crouse: On a point of order, Mr. Speaker, if I may transgress briefly on the time of this house, the matter I have raised is most urgent. Today Canada is spending millions of dollars on our centennial celebrations, and sincere men are searching desperately to establish a Canadian identity. I submit that there is nothing more truly Canadian than the *Bluenose.*

Some hon. Members: Hear, hear.

Mr. Crouse: It is indicative of an age of wooden ships and iron men. It is indicative of a generation that established our coastal trade in Nova Scotia, our great fishing industry and our trade with the West Indies and Europe, and I believe it is time this government gave an indication of when the *Bluenose* will be returned to our coinage.

Mr. Speaker: Order, please.

THE CANADIAN ECONOMY

INQUIRY AS TO INDUCEMENTS TO INCREASE PRODUCTIVITY RATE

On the orders of the day:

Hon. George Hees (Northumberland): Mr. Speaker, I should like to address a question to the Minister of Industry. In view of the latest D.B.S. report showing that Canadian productivity is rising at a rate considerably slower than the level of wages, is the government giving consideration to offering inducements to make possible a greater rate of increase in the level of productivity in Canada?

Hon. C. M. Drury (Minister of Industry): Mr. Speaker, I will be very glad indeed to advise the hon. member privately, without taking the time of the house, of the substantial number of effective programs that are directed precisely to the end of increasing productivity.

Mr. Hees: I should like to address a supplementary question to the minister, Mr. Speaker. In view of the fact that productivity is rising at a relatively slow rate in Canada today, and in view of the fact that the minister's programs are not producing the desired

effect, would he consider introducing some that really are effective in increasing productivity?

Mr. Speaker: Order, please.

POWER

COLUMBIA RIVER—REQUEST FOR COMMITTEE CONSIDERATION OF FURTHER U.S. DEVELOPMENT

On the orders of the day:

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, I wish to direct a question to the Minister of Energy, Mines and Resources. My question is based on the fact that I have been informed that a flood of representations is being sent to the minister at this time.

Has the minister received any representations from any organizations or persons urging that the Columbia river treaty be sent to the committee in view of the recent developments in the United States?

Hon. Jean-Luc Pepin (Minister of Energy, Mines and Resources): Yes, indeed; I have received at least one. The chairman of the House of Commons committee on industry, research and energy development told me, however, that the committee is very busy at this time and that he will have to reconsider the suggestion later in the session.

AGRICULTURE

INQUIRY AS TO CAPITAL ASSISTANCE FOR CLASS A FAIRS

On the orders of the day:

Hon. W. G. Dinsdale (Brandon-Souris): Mr. Speaker, I have a question for the Minister of Agriculture. Is it his intention to introduce a program of capital assistance for class A fairs, and if so, will the program be available for action during the current year?

Mr. Speaker: Order, please. It has been suggested to the Chair that the question has already been asked.

IMMIGRATION

INQUIRY AS TO ENTRY OF AGRICULTURAL WORKERS

On the orders of the day:

Mr. H. W. Danforth (Kent (Ont.)): Mr. Speaker, I wish to direct my question to the Minister of Manpower and Immigration. Now that the planting season is fast approaching, can the minister indicate whether provision will be made for seasonal immigration of farm labour as was done in 1966, and whether other measures will be considered to ensure adequate farm labour in these critical times?

Hon. Jean Marchand (Minister of Manpower and Immigration): I will be looking into this matter immediately.

PUBLIC SERVICE

EASTER MONDAY—INQUIRY AS TO HOLIDAY

On the orders of the day:

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, may I direct a question to the President of the Treasury Board. Has it been indicated that Easter Monday will be a holiday for classified civil servants but not for prevailing rates employees? Will the government consider treating both groups in the same manner?

Hon. E. J. Benson (Minister of National Revenue and President of the Treasury Board): I will be pleased to look into this matter.

POST OFFICE DEPARTMENT

LOWER ST. LAWRENCE—REQUEST FOR IMPROVED SERVICE

On the orders of the day:

Mr. J. R. Keays (Gaspé): Mr. Speaker, I have a question for the Postmaster General. Some time ago he instituted a new mail service, which was intended to be an improvement, in the lower part of the St. Lawrence. Can he tell the house now whether he intends to establish another mail service which will deliver mail to the people within eight days at least?

INQUIRY OF THE MINISTRY

On the orders of the day:

Mr. Donald MacInnis (Cape Breton South): Mr. Speaker, I have a question for the Prime Minister. I wish to ask him when he changed his mind about elevating the Minister without Portfolio to a more responsible position in the cabinet.

Right Hon. L. B. Pearson (Prime Minister): I should like to be able to put the hon. member from Cape Breton in a more responsible position.

Mr. Speaker: Order, please.

Inquiries of the Ministry

SHIPPING

REQUEST FOR SAFETY INSPECTION OF STEEL HULLED TOW BOATS

On the orders of the day:

Mr. Frank Howard (Skeena): Mr. Speaker, I should like to direct a question to the Minister of Transport. In the light of the large number of tow boats which have sunk on the Pacific coast, can the minister tell us whether he has recently received representations from the Canadian Merchant Service Guild to the effect that all steel hulled tow boats be called in so it can be determined whether they have three watertight bulkheads, and if not that they be required to have them in order that future disasters be prevented? Can the minister tell us whether he has received such communications, and what plans are being made to cope with that request?

Hon. J. W. Pickersgill (Minister of Transport): Judging from the careful way in which the hon. gentleman was consulting his notes I would assume that such representations must have been made to me in my absence, and no doubt were dealt with in a most effective manner by the acting minister. Nevertheless I will make inquiries and let the hon. gentleman know.

I might also remind the hon. gentleman that it is contrary to the rules to ask questions of the acting minister when the minister is in the house.

Mr. Howard: I have a supplementary question, Mr. Speaker. I will use this forum to extend my apologies for puncturing the ego of the minister or for letting him suppose that I might ask the acting minister a question while the minister is here.

Mr. Thomas M. Bell (Saint John-Albert): Will the Minister of Transport also inquire into the matter of icebreaking on the St. Lawrence, which has reached serious proportions during his absence?

Mr. Pickersgill: When the hon. member said it had reached dangerous proportions did he mean there was too much of it or too little?

Mr. Bell (Saint John-Albert): Too much, Mr. Speaker.

LABOUR CONDITIONS

RETRAINING OF WORKERS LAID OFF BECAUSE OF AUTOMOBILE AGREEMENT

On the orders of the day:

Hon. Jean Marchand (Minister of Manpower and Immigration): Mr. Speaker, I should like to reply to a question put to me on March 3 by the hon. member for Burnaby-Coquitlam concerning the number of automobile workers who have been placed in employment through our Canada manpower centres. Unfortunately I cannot give a complete answer because automobile workers reside in many places, and over 30 Canada manpower centres are known to have some registered. To avoid unnecessary paper work we keep separate records of placements only where there are substantial numbers of automobile workers, and of course these are the areas where placements are slow.

As of February 24, 833 referrals for employment had been made and 336 workers had been placed in employment. As I have indicated earlier, this is far from satisfactory. It has to be recognized that the re-employment of workers from a high wage industry cannot be done as quickly as we would like, but we are doing all we can to speed it up.

Mr. T. C. Douglas (Burnaby-Coquitlam): Mr. Speaker, I have a supplementary question. In view of the fact that the minister has just stated that there is difficulty in getting adequate information regarding the auto workers who are laid off, I should like to ask whether this does not stress the need for the setting up of the kind of committee for which the U.A.W. has asked, a committee of the government, employers and employees, so there may be some co-ordinated follow-up as to what happens to the auto workers who are discharged.

Mr. Marchand: Mr. Speaker, I do not want to refer to the particular problem which the hon. gentleman has in mind but will only say that personally I certainly favour all joint committees of management and labour in order to solve those problems.

BANK OF CANADA ACT

AMENDMENTS RESPECTING DIRECTION OF MONETARY POLICY, CASH RESERVES, ETC.

Hon. Mitchell Sharp (Minister of Finance) moved that the house go into committee on Bill No. C-190, to amend the Bank of Canada Act.

Motion agreed to and the house went into committee, Mr. Richard in the chair.

On clause 1:

Mr. Lambert: Mr. Chairman, the committee on finance, trade and economic affairs reported this particular bill without amendment on March 1 of this year.

• (3:20 p.m.)

The Acting Chairman (Mr. Richard): Order. Would hon. gentlemen please observe some silence and allow those taking part in this debate to be heard.

Mr. Lambert: Mr. Chairman, the rules of this house with regard to debate on a bill of this kind make it a little difficult to mix general remarks with specific remarks relating to the bill, in that I want to discuss the determination of monetary policy and the maintenance or creation of statutory secondary reserves.

There is not a great deal in the act other than general housekeeping matters. If one refers back to the 1953-54 amendments which revised the act, as contained in the 1952 revised statutes, one can see that there are not now many changes in the provisions of the Bank of Canada Act. However, I feel there should be some remarks of a general nature made at this time and with your indulgence, Mr. Chairman, I should like to address myself to these subjects. My colleagues may have considerably more to say when we reach the individual clauses of the bill.

I wish to deal primarily with some of the testimony of Mr. Rasminsky, governor of the Bank of Canada, which appears in the minutes of proceedings and evidence No. 19 dated October 31, 1966. I am sorry I was not able to be present at this particular meeting of the committee, but in any event there is reproduced in the minutes for the edification and instruction of hon. members a fairly extensive brief which was presented by the governor and on which he was questioned.

One point with which I agree, and which is one of the crucial points made by Mr. Rasminsky, is that there is nothing in the bill which diminishes the responsibility which the governor bears for the monetary policy being followed. Then as reported at page 990 of the report the governor went on to say:

> So long as he occupies the position of governor the public is entitled to assume that the policy being followed carries his personal judgment. As the minister said in the second reading debate in the House of Commons, if the government of the day ever issued a directive to the governor to execute a monetary policy which he felt was contrary to the public interest, it may be taken for granted that he would resign rather than accept such a responsibility.

I find some difficulty in the provision of the bill which, shall we say, statutorily enshrines this difference of opinion and which would put it beyond the pale of a reconsideration of position either by the government or the governor so they could arrive at some consensus or at some variation. I want to discuss this further when we get to the appropriate clause, which is the proposed section 14, being clause 6 of this bill; but it seems to me that these differences of opinion have to be underlined by a written directive from the Minister of Finance, after consultation with the governor in council, to the governor of the Bank of Canada instructing him to follow a certain policy, which should be published in the Canada Gazette.

I think it would be beyond the pale that this should ever arise, Mr. Chairman. I just cannot conceive of any governor remaining in his position if he had to be subjected to this type of treatment. It might be that the government is now thinking that this would be an additional weapon with which to beat a governor—and I am referring to a recalcitrant governor—into submission. There is no doubt that monetary policy is the responsibility of the government.

Mr. Sharp: This is a recent conversion.

Mr. Lambert: Oh, no. The minister may want to play around with this, but he has had experience with the esteemed gentleman who was involved in this connection, and I am sure he would realize that if that man occupied his former position today there would be a great deal of difficulty. The minister would have to deal not only with the hon. member for Davenport but also with a governor of the Bank of Canada who at one time was making rather extraordinarily freelance speeches.

Frankly, Mr. Chairman, I found his behaviour at the time completely incomprehensible, and since then I have at times found his behaviour equally incomprehensible. However, I realize that the minister is trying to get some form of statutory power into the bill in order to deal with a governor who might refuse to carry out the monetary policies of the government of the day.

Then Mr. Rasminsky spoke of the technical arrangements, of which he sought improvement, for the exercise of monetary control by the Bank of Canada. This is by the institution of statutory secondary reserves about which I must confess I am not yet convinced in spite of all of the persuasive advocacy of the governor. To me this is adding a surplus of power to a surplus of power.

There is no doubt, Mr. Chairman, that within the statutory reserves, and particularly the statutory reserves which are embodied in the amendment to the proposed section 72 of the new Bank Act, the twelve and four formula, the effect of the 12 per cent requirement is felt on demand deposits. To me this is an extraordinarily effective weapon, and because of the changing picture of Canada's banking system as a result of the growth of a number of near banks and other financial institutions—a matter which we will be discussing when we reach the Bank Act—the Bank of Canada has less and less control over the monetary system of this country. It is trying to maintain the same level of control through the chartered banks by measures which will be and which will have to be all the more radical in their effect on the chartered banks. In other words, the basis of the exercise of this control is being narrowed as our financial system in this country evolves, and this proposal of the government to me compounds the difficulties.

• (3:30 p.m.)

I find that the provision for statutory secondary reserves is piling super-caution upon caution and it is not at all necessary. I spoke to the minister concerning the situation in the United States where the federal reserve board has the statutory power of varying the reserve requirement up or down in order to affect the monetary policy of the country. In Canada, as we know, it is a question merely of the Bank of Canada making more money available or restricting the amount of money in circulation. This has some effect on the bond market and it also affects the interest rate.

I would have thought, in addition to the power that the Bank of Canada has to affect the monetary situation in the country through this particular procedure, there should have been an amendment to the Bank of Canada Act to allow for a variation in the primary reserve rate, particularly in connection with deposits on a fixed or term basis.

Mr. Sharp: May I ask the hon. gentleman a question?

Mr. Lambert: Yes.

Mr. Sharp: Is the hon. gentleman aware how many times the power that is already in the act has been exercised? I can give him the answer. It has never been exercised, but it has been there from 1954.

Mr. Lambert: The power to vary, to reduce, but never on fixed or term deposits.

Mr. Sharp: No, on the total; we could have increased it in steps from 8 per cent to 12 per cent.

Mr. Lambert: Yes, but never below 8 per cent, and there is a distinction between current deposits on a demand basis and deposits on a fixed or term basis. I would have thought that in addition to the power to affect the quantum of money there should have been an alternative procedure open to the Bank of Canada to affect the monetary situation in the country by allowing the bank to reduce reserves below the level indicated in the act. I hope when the minister replies he will comment upon the sufficiency of the powers at the disposal of the U.S. Federal Reserve Board, in relation to the Canadian monetary system, and whether we can add this particular tool of monetary control to our system.

This is the extent of my general remarks and I thank the committee for allowing me to make them. After all, the amendment called for by clause 1 is very limited. I hope we can get further comment from the minister, either in reply to these remarks or at the appropriate time when we are considering the clauses.

Mr. Cameron (Nanaimo-Cowichan-The Islands): Mr. Chairman, I do not intend to take too much of the time of the committee. I do not believe there is a great deal to be said about this bill because its purpose is to clear up some anachronisms. Unlike the hon. member for Edmonton West, I do not believe clause 6 can be interpreted as a club with which the government may beat the governor of the Bank of Canada. Rather, I suspect it is a club the governor of the Bank of Canada insisted upon having placed in his hands in order to beat the Minister of Finance of the day over the head. Certainly this is the view I take of it. I must say this particular minister has never done so but, having heard a number of his predecessors dodge their responsibilities by telling the House of Commons that, after all, they could do nothing because the matter was in the hands of the Bank of Canada, I suggest that neither this minister nor his successors will be able to do so now. Any attempt to do so will meet condign punishment, I am sure, from whatever opposition there is in this chamber.

As I say, I believe the hon. member for Edmonton West has it the wrong way around. I would not be surprised if the governor of

the Bank of Canada had written that particular section himself. I regret I was not in attendance at the committee on finance and economic affairs when the Bank of Canada Act came before it. I had previously asked Mr. Rasminsky if he would be prepared to give us some information with regard to the role that the Bank of Canada plays in some of the conversations regarding reform of the international monetary system. I was hoping, as I told Mr. Rasminsky, that this might provide an opportunity for him to give at least some elementary education to myself and other members of the committee about what is going to be the next vexing question in monetary affairs. However, we can perhaps hope to get another opportunity to have the governor give us some information on that matter.

There is one thing I should like to stress now which perhaps is not truly linked to this bill. I ask the minister if he would not sound out the governor of the Bank of Canada and his staff as to the possibility of publishing some of the results of their research. I am informed the bank has collected one of the ablest stables of economists in the country who do a tremendous amount of research whose results stay in the bank or possibly go to a few selected people. If this information were made available to the public I think it would be useful in enabling the Canadian public and members of parliament to understand better the operations of our monetary system.

Beyond this, I have nothing to say about the bill. As I say, it clears up a lot of anachronisms. My seatmate, the hon. member for Comox-Alberni, was rather regretful when he read that the phrase "will pay to bearer on demand" was being removed. He has always cherished the idea that one day he would take a dollar bill to the Bank of Canada and ask for a dollar for it. Now this opportunity is gone and he says that is the difficulty with postponing things. This is one of the anachronisms that has been cleared up. I think we can accept the bill as it is without further ado.

• (3:40 p.m.)

[*Translation*]

Mr. Grégoire: On a question of privilege, Mr. Chairman.

The Chairman: The hon. member for Lapointe (Mr. Grégoire) on a question of privilege.

Mr. Grégoire: Mr. Chairman, we have before us the proposed amendments to the Bank of Canada Act and my question of privilege—I will hasten to say—is to the effect that French speaking hon. members in this house do not have the same opportunity to discuss these amendments as those whose mother tongue is English.

Let me explain my question of privilege. All these amendments to the Bank of Canada Act have been examined in committee. The evidence heard is contained in various numbers of committee hearing reports. You will note, Mr. Chairman, that the numbers containing the committee proceedings have only been printed in English. We have not yet received the French version. The French text is twelve numbers behind, since we have only received the French up to No. 41, whereas No. 53 of the English has been printed and distributed.

The amendments to the Bank of Canada Act had been disclosed in committee when No. 53 was published; it is still only available in English. At that time, we were discussing Bill No. C-222 and the amendments to the Chartered Banks Act. We have the English version of the minutes with respect to the clause by clause study of Bill No. C-190. However, we do not yet have these in French, since the French version of the reports on committee proceedings only go as far as January 31, 1967.

Therefore, Mr. Chairman, I submit that we are at a disadvantage. I know that my colleague, the hon. member for Compton-Frontenac (Mr. Latulippe), followed committee discussions very diligently. Under ordinary circumstances, it would be his turn to speak, after the Conservative party spokesman and the representative of the New Democratic Party. I am sure that he and I could express our views much more clearly if we had French transcripts of the proceedings, but we do not have them.

Therefore, Mr. Chairman, I feel that under the present circumstances, discussion of Bill No. C-190 should be postponed until we have received the French version of the proceedings of committee discussions.

I should like to put forward two arguments in support of my request, Mr. Chairman. My first argument is the fact that French is supposed to be an official language in this house, on a level with English. Since the proceedings are not available in the two official languages, the Minister of Finance and Receiver General (Mr. Sharp) should himself ask that consideration of the said bill be postponed until we receive the French version of the proceedings,

at least those concerning Bill No. C-190 which has been studied in committee.

I also wish to refer to a precedent established in this house two or three years ago, when we were considering the Canada Pension Plan or the Canada Pension Act.

It will be recalled that, at the time, a group of members pressed for postponement of examination of the Canada pension bill until such time as the proceedings on examination of the bill in committee were distributed to us in both languages.

At that time, also, we had received in English only, the reports concerning the study in committee of the Canada Pension Plan.

And, at that time, the government had graciously agreed—thereby establishing a precedent—to postpone the study of the Pension Act until such time as we would be provided with the reports in both languages. And I recall very clearly that, at that time, the government acted quickly and, in less than 24 hours, we received the reports. In less than 24 or 36 hours, if my memory serves me right, we received the reports in French, since we already had them in English, and the study of the Canada Pension Act, or the Canada pension plan, had been postponed until we received the French translation of the committee reports.

Mr. Chairman, since it has always been said that both languages, French and English, are official in this house, and since we have received the reports in one language only and it is very important for a proper discussion of the amendments to Bill No. C-190, which is a very important bill, to have the documents in French and English to be able to discuss them better, and since a denial of those documents would be an obvious discrimination against the members who speak French as their first language, and since a precedent has already been established in that respect and the present government had accepted to establish that precedent, in those circumstances, I would ask the Minister of Finance and Receiver General to agree to the postponement of the study of Bill No. C-190, as did his colleague who is today the Secretary of State (Miss LaMarsh), until we have the reports in both languages.

I shall ask him to move the postponement of the study of Bill No. C-190 until we have the reports in both languages. I think we could get unanimous consent in that respect.

[Mr. Grégoire.]

I understand that the hon. member for Edmonton West (Mr. Lambert) is the spokesman for his party as far as this bill is concerned. He will also agree no doubt, since that procedure was followed at the time of the study of the bill concerning the Canada Pension Plan, that we postpone the study of Bill No. C-190 until we have the said reports in both languages.

I shall ask the Minister of Finance and Receiver General to move himself that the study of this bill be postponed. I know that it will not be very long before we have those reports in French, and it will avoid that kind of discrimination the government does not want to have in this house.

[*English*]

Mr. Sharp: Mr. Chairman, I regret just as much as does the hon. member for Lapointe that we do not have before us at this time a complete set of the reports of the committee on finance, trade and economic affairs. The principal reason for this situation is the diligence of the committee. This committee has given a more thorough examination to the bank acts than has ever been given by any committee, I believe, in the past and this has taken a great deal of time.

The hon. member for Lapointe has himself contributed very extensively to these debates and I am sure that he would like to see his contribution before us in both languages. Unfortunately this has not been possible. Had the committee been able to complete its hearings some weeks ago we would now have these reports before us.

The position in which we now find ourselves is that we must deal fully with these bills both in this house and in the Senate, so that they may receive royal assent before April 1. If we were to delay consideration of them now in order that these reports might be available in French as well as in English, something which we would all like to see, it would be necessary for parliament to extend once again the present acts. Failure to deal with the bills before us at this session would mean that consideration of these matters would have to begin all over again. I am sure the hon. member would not wish to impose a delay of that sort upon the house or upon the country.

These banking bills have been before the house on two separate occasions. They have been introduced twice. There has been general discussion on each of them and there has been detailed consideration in the committee of the bill now before us. So I hope the hon.

member will not press his point. I believe we are making progress in the direction he has indicated and I can assure him on behalf of the government that we are making every effort to ensure that these reports are translated quickly.

• (3:50 p.m.)

[*Translation*]

Mr. Mongrain: Mr. Chairman, somewhat on the same question of privilege raised by my colleague for Lapointe (Mr. Grégoire), I must say I listened to the answer given by the hon. minister, which was of interest to me, as you may imagine, and also to the representations made by the hon. member for Lapointe.

I was surprised, for once, at the way the hon. member for Lapointe made his representations, for he was moderate and reasonable and, without any intention of insulting the government, he justified his request with arguments I believe serious. Therefore, I must say, Mr. Chairman—and I am trying to say it dispassionately and in the most objective way possible—that I feel compelled to support the request made by the hon. member for Lapointe and I ask the hon. minister to reconsider his decision.

There are other reasons in favour of such a suggestion. I am aware of the spirit of goodwill of the hon. minister and I do not doubt it; besides, I am also aware of the spirit of goodwill on the part of most of the ministers concerning that question. I am one of those who have asked since the opening of this session last year, for instance, for the simultaneous publication of the French and English versions of the Labour Gazette. And I have been told, since that time, that there would be improvement in a month, in two months, in three months, but it is always the same thing.

Mr. Chairman, I feel that if the government does not make up its mind one of these days to take extreme measures in order to grant to all members their right of having the documents in both languages and of being able to take part in the debates in an intelligent way, the question will not be settled. I must admit that, in my case, there is no inconvenience whether the documents are in English or in French, since I had the privilege of learning English, or rather I took the trouble of learning it, since I felt the need to do so. However, some of my colleagues here did not have the same privilege; in spite of all their willingness, they did not have the opportunity of learning English, but they take part in the debates in this house, they attend very regularly the sittings of the committees of which they are members and they tell us that they are embarrassed, since they cannot discuss intelligently the bill they are interested in.

Mr. Chairman, I believe this principle is more important than that of not delaying the study of the bill concerning the Bank Act. I do not intend to venture into a protracted debate, Mr. Chairman; besides, I think the hon. minister understands, since I already had the opportunity of knowing how he feels about that bill. I simply wish to say solemnly and sincerely that I feel compelled to support the request made by the hon. member for Lapointe and I object to the examination of this bill if the French documents cannot be produced.

[*English*]

Mr. Cameron (Nanaimo-Cowichan-The Islands): Mr. Chairman, when I was listening to the hon. member for Lapointe I wondered whether he was aware of the inclusion in the final report of the committee of a recommendation with regard to translation. I have great sympathy for the hon. member. I am sure he will recall that during the committee hearings our chairman was constantly pressing the translation authorities to speed up the French translations. It became obvious that the translation facilities are inadequate. But I would plead with the hon. member for Lapointe to realize that this is a much larger question than merely getting these particular minutes translated. It involves an extension of the whole translation service and I do not think we should hold up the proceedings on this bill, on which there is great urgency, because of this very reasonable grievance which the committee attempted to deal with in its final report.

[*Translation*]

Mr. Laprise: Mr. Chairman, in support of the question of privilege raised by the hon. member for Lapointe (Mr. Grégoire), I should like to quote section 133 of the British North America Act, which states:

> Either the English or the French language may be used by any person in the debates of the house of the parliament of Canada and of the house of the legislature of Quebec; and both those languages shall be used in the respective records and journals of those houses;

Therefore, proceedings of committees of the house must be published in both languages and now, we do not have these reports today. As my friend the hon. member for Lapointe said a while ago, there is a substantial time lapse between the publication of the English and French versions. The minister told us a while ago that there is no delay, but I submit that there is a one-month gap between the two, because no particular effort was made to make the French version of the proceedings available to hon. members.

Mr. Chairman, for four years now, we have been demanding equal standards in house services with respect to the two official languages, and we intend to see to it that our request is granted.

Mr. Latulippe: Mr. Chairman, I too would be glad if Bill No. C-190 were passed without delay. But since we still have many aspects of the bill to look into and even have amendments to move, I would have liked to read all the proceedings in French. The more important discussions concerning the Bank of Canada, in which its president took part are to be found in proceedings we have not yet received. Therefore, since we do not have those proceedings in which we could find the required information in order to discuss sensibly, I fully support the question of privilege raised by the hon. member for Lapointe who wants those proceedings printed in both languages and the discussion on the bill suspended until we have obtained the French proceedings.

Mr. Chairman, at least a dozen issues of the proceedings in French have not yet been distributed. We surely need them, because discussion of the Bank of Canada is of the utmost importance. Discussion of the Bank of Canada includes basic aspects which must be considered and known in all their phases. We need the French version of the proceedings of the committee to be in a position to deal with the question. We have considerable discussion to carry on as regards the Bank of Canada.

I know that discussion of the Bank of Canada has not been very long in the past. Most of the time, the charter has been renewed without amendment. Now, we have amendments to the charter of the Bank of Canada to move and if they cannot be taken into consideration at least we will have the opportunity to move them, because we intend to fulfil our responsibilities as far as the financial situation of Canada is concerned, since that question and the question of the Bank of Canada is of major importance and constitutes a greater factor than all the others. To my mind, every member should closely consider the financial aspect of the Bank of Canada and, for that reason, Mr. Chairman, I fully support the statement of the hon. member for Lapointe. So, we will not agree to continuation of the debate on this bill without first having in hand a French copy of the proceedings of the committee.

Mr. Allard: Mr. Chairman, just a few words about the question of privilege raised by the hon. member for Lapointe (Mr. Grégoire), who was admirably assisted by the hon. members for Trois-Rivières, Chapleau and Compton-Frontenac (Messrs. Mongrain, Laprise, and Latulippe).

The question raised by the hon. member for Lapointe is not a new problem in the house. Indeed, over the years, it has often happened under different governments, that committee reports did not appear at the same time in both languages, which prevented hon. members to have an intelligent discussion in the house. That which the hon. member complains about is not only convenient discrimination during a debate. This discrimination also becomes evident, as the hon. member for Compton-Frontenac pointed out, when the house is about to study an extremely important bill which is, let us say, the financial, economic and administrative backbone of our country, an act concerning the Bank of Canada. Now, it is most important that all hon. members be made aware of the learned proceedings which took place in the parliamentary committee.

There is, in the English text, technical and specific terms which it is difficult for us, French Canadians, to understand properly, to grasp their meaning and their scope in the financial and monetary field. That is why, it is necessary for us to have in our own tongue, the exact meaning of the word or expression that will enable us to understand the full scope of the wording or the principle to be incorporated in this new bill.

• (4:00 p.m.)

That is why, it would be highly appreciated if the hon. Minister of Finance and Receiver General postponed the study of this bill in order to allow us, French Canadians, to get the French version of the proceedings of the committee.

We are not doing this, this afternoon, merely to complain about a certain discrimination

in the distribution of French copies; we do so especially that we may better understand this most important bill. It is precisely because we French Canadian members of the house here in Ottawa want to contribute substantially to the study of important bills such as this one; because we want to address ourselves to the questions seriously, conscientiously and responsibly. Now, under the present circumstances, we cannot do so.

I must say that personally, although I speak and read English well enough, as it is not my mother tongue, I often find it difficult to understand certain technical and scientific expressions and realize the full impact of the bills or amendments we are asked to deal with.

At this point, Mr. Chairman, I should like to mention the *Hansard* of last Friday. I believe the hon. Minister of Finance and Receiver General, who was asked to introduce his bill today, could very well refer, in order to delay study of this bill, to the business of the house as given last Friday, that is on March 3, by the leader of the government. It did not provide for the immediate discussion of the hon. minister's bill at the next sitting. On the contrary, it indicated that the government proposed to call item 119, that is third reading of Bill No. C-259, then item 135, that is, second reading of the bill dealing with federal-provincial fiscal arrangements. And then we see Bill No. C-190, which it is proposed to consider this afternoon, as well as items 137 and 136.

Consequently, while we would discuss the four or five items included in the last list of business of the house for its next sitting, that is this afternoon, the translators would have plenty of time—even if we spent the few remaining days of this week on the four other items—to give us a French version of the parliamentary committee proceedings.

I hope that the government which, in different circumstances, appeared well disposed —and as the hon. member for Lapointe (Mr. Grégoire) said, a precedent was furthermore created by the Liberal government, during consideration of the Canada Pension Plan Act, then the minister who is now Secretary of State (Miss LaMarsh) had accepted, as a result of similar representations, to put off consideration of the Canada Pension Plan bill to enable all members, and especially French Canadian members, to understand perfectly the scope, the meaning and all the implications of that act which was very important—will do the same once again.

As was so ably and rightly pointed out by the hon. member for Compton-Frontenac, this bill before the committee—perhaps the Minister of Finance and Receiver General is an expert in this matter, perhaps he has gained some experience as a civil servant, when he met experts in finance and economy, and I do not know whether or not he realizes that many hon. members here, in this house, despite their education and their particular knowledge in other subjects, despite all their good will are not as knowledgeable as him in this matter—demands much thought. Now, the first requisite to good comprehension is to have in one's mother tongue the true meaning and perfect translation of this act. And that is why, from time to time, we refer to tradition, not so just to recriminate, but because we want to make a substantial contribution to the debates. Therefore, we do want to understand correctly the meaning and the implications of the legislation before us. And we want to understand at the same time as the other hon. members in the house who speak our country's other official language, so that the members of the province of Quebec or the French speaking members will not be accused of inaction in the House of Commons. We are here, Mr. Chairman, to play a useful and adequate role and we want to do it with as much enthusiasm and interest as all other hon. members. To that end, we need an essential tool, namely documents and bills in French and we must have them when they are made available in English. If we always get them late we are in an unfavourable position, in which some discrimination might easily be seen, and for which we might be criticized, not so much by the taxpayers of the province of Quebec as by some people in English Canada who sometimes say that the French Canadian members from Quebec do not take part in discussions on economic or financial matters and do not seem interested to do so. I want to state clearly this afternoon that this is false. On the contrary, we are greatly interested, we are here to make a contribution. Therefore, since this bill of the utmost importance is being considered, we should be given what we need to understand the discussions in committee. The documents available in English now should also be available to us in French. Therefore, Mr. Chairman, I would very much appreciate it if the minister would reconsider the matter and comply with that request.

[*English*]

Mr. Sharp: Mr. Chairman, may I point out two or three facts to some of the hon. gentlemen who have spoken on this question of privilege with which I have a good deal of sympathy, because I would protest as they have against the fact that these reports are not available in French. First of all, the hon. member who has just spoken asks the reason for the change in procedure. The reason, of course, I think is pretty plain. A very sad event has intervened which has placed before the government the necessity to proceed with the bank acts in an order other than had been decided in the program because these acts must be through this house, through the Senate and receive royal assent before April 1. Otherwise we will have to introduce another bill to extend the charters of the chartered banks for another period while we reintroduce the bill or extend this session indefinitely. Second, all the testimony relating to the Bank of Canada Act is now available in the French language. There is nothing missing.

While the argument may be valid in respect of the Bank Act and could be a valid criticism of the procedure with regard to that act —perhaps there is not much point in my bringing this to the attention of hon. members—in fact all the testimony relating to the Bank of Canada Act has been printed in the French language. No amendments were made in respect of this bill when it was under consideration. It is reintroduced exactly as it was introduced. Therefore I hope that hon. members, having raised this legitimate grievance, will be content to proceed with the Bank of Canada Act with regard to which the testimony in French, I am now informed, is printed.

[*Translation*]

Mr. Grégoire: Mr. Chairman, the Minister of Finance (Mr. Sharp) stated that evidence before the committee is now available in French. I am happy to hear it. As far as we are concerned, I believe that those proceedings have not yet been distributed to our offices. If he has them, would it be possible for him to have them distributed, particularly those dealing with the Bank of Canada? That would be acceptable for we obviously are not asking for the proceedings of the committee on the Bank Act or the Quebec Savings Banks Act since those are not now before us.

We are now considering the Bank of Canada Act, and if the minister says those reports are available in French, let us have them and we will be satisfied. We have not yet received them in our offices.

• (4:10 p.m.)

[*English*]

Mr. Sharp: Mr. Chairman, the testimony given in respect of the Bank of Canada Act relates to the testimony given by the governor of the Bank of Canada. That testimony was given quite early, has now been printed and has been available to members for quite some time. When I appeared before the committee, for example, I gave no testimony whatsoever on the Bank of Canada Act and I was not asked for any. It is my understanding that when the bill was before the committee no amendments were made so there was no discussion about changes. While I understand that there is a legitimate grievance about the reports not being printed in French as quickly as in English, that is not a complaint that can be directed particularly to the bill before us today. There are no technical questions of the kind the hon. member has raised which have to be translated since there were no technical amendments made.

Mr. Mongrain: Mr. Chairman, perhaps the minister could indicate what kind of a delay we might expect before we have a translation department which will give us publications in French and in English at the same time. I have been complaining for more than a year about this situation, particularly in relation to the *Labour Gazette.*

Mr. Sharp: Perhaps I should at this time give this factual answer. The minutes of proceedings and evidence of 50 meetings have been published in English and 43 have been published in French. The proceedings of three meetings have not yet been published in either language. I agree with the hon. member that it would be better if we could say that 53 had been printed in both languages but the disparity between the two is not as great as perhaps suggested. Certainly it is not as great as it once was, which is some evidence of the progress we are making.

[*Translation*]

Mr. Grégoire: Mr. Chairman, I just want to correct a point raised by the minister. The governor of the Bank of Canada appeared before the committee before the Minister of Finance did, of course, and we then examined him on general matters. The Minister of Finance appeared afterwards and we also

obtained, in French and in English, his evidence before the committee. But after that, we studied the Bank of Canada Act item by item and discussions took place, even though no amendments were moved.

Now, it is precisely the proceedings covering the study of the bill item by item that we have not yet received.

The Minister of Finance says that 43 issues have been sent; it may be so, but No. 41 was our latest issue. Perhaps 43 fascicules are ready but the proceedings end with Nos. 42 or 43 and we have not yet received them and those are precisely the issues dealing with the section by section consideration of the Bank of Canada Act. Even though no amendments were introduced, important discussions took place and if the minister says that the proceedings have been printed, there may have been a delay in their distribution. If that is the case, we shall not ask for a very long extension of time. As soon as we get them—this could be done before six o'clock—we will be ready to resume the debate.

I think the minister will realize that we are making this request in good faith, especially if 43 issues have already been printed and in view of the fact that we have not received Nos. 42 and 43 of the proceedings even though consideration of the Bank of Canada Act is over.

Mr. Lachance: Mr. Chairman, when the hon. member for Lapointe (Mr. Grégoire) rises on a question of privilege—I listen to him with much interest—he does it well, he makes a serious contribution to the debate, and it is interesting to have him make a serious contribution.

Mr. Chairman, for my part, I believe that when an hon. member insists on occasion to have a committee report in his own language —which, by the way, is one of the two official languages in this country—what he asks for is an absolute right, and the government and the house are going to take such absolute right into account.

However, in all fairness to the Minister of Finance (Mr. Sharp), I do believe that he is not responsible for all existing administrative problems.

Mr. Mongrain: Nobody says the minister is responsible, nobody blames him.

Mr. Lachance: I do not contend that the hon. member for Trois-Rivières (Mr. Mongrain) said he was; I am giving my personal opinion concerning this matter. In all fairness, the Minister of Finance should not be thus held responsible for all those administrative problems.

The minister should not be blamed either for the unfortunate aspects of this problem, if there are any such aspects. On the other hand, the problem of the translation of reports into the two official languages of the country is a new one. Only recently has the business of the house become so voluminous and the committee meetings so numerous; the point is just that the staff of the house is not yet adequate, and that is what should be emphasized. In fact, the staff should be increased so as to meet in so far as possible the needs of hon. members.

In my opinion, it is quite impossible to have the debates of the standing or special committees of the house translated into English or French barely five minutes after the end of a meeting; in fact, that would sometimes force us to delay consideration of an urgent bill. Hon. members know that there is as yet no automation or adequate planning to ensure that the translation and printing of committee proceedings are done quickly enough to meet the needs of the House of Commons.

Not so long ago when I was a member of the committee on procedure, we studied the committee problem and when, in June 1965, the number of committees was increased, the whole house agreed that it would create problems. In fact, it still creates problems and it will always do so, whether we like it or not, because the whole government staff cannot be assigned to translate the proceedings which take place in English in a committee. If that were done, the work in other government services would be delayed proportionally. Now, when a member asks to receive the proceedings of a committee in his mother tongue, whether he is English or French speaking, I think that the house must grant to an hon. member the right to check, in his own language, the proceedings of a committee.

But, I believe also that hon. members, aware of the administrative problem, must not make it a problem which unduly delays the study of a bill. I do not say that this is done in this case, because I do want the hon. member for Lapointe to know full well that if I take part in this discussion on a question of privilege, it is to support his request. However, in all fairness for the Minister of

Finance, we must not blame him for a situation for which he is not responsible.

Mr. Grégoire: Oh no. This is not what I meant.

Mr. Lachance: Now, Mr. Chairman, the hon. member for Compton-Frontenac (Mr. Latulippe) said that the members should study the Bank Act. There is no doubt about that, and I think they are studying it; however, if they do not speak, that does not mean they are not considering the said act.

As to the matter of discrimination I do not see any in the present case. It is a technical problem, which members must try to understand, because I feel this problem will never be settled unless a miracle solution is found.

[*English*]

Mr. Macquarrie: Mr. Chairman, it is rarely that I intervene on a question of privilege and it is even more rarely that I agree with the hon. member for Lapointe. However, I think we are faced with something really fundamental here and I should regret very much if the burden of discussion were carried by those who speak in the French language.

• (4:20 p.m.)

In my opinion this sort of thing is happening far too frequently. This country may not be bilingual but this is certainly a bilingual parliament and the two languages are equal, one to the other. One is in no way subordinate to the other, and there is no reason those who have difficulty with the English language should have to be content with documentation in English rather than in the language they find most familiar. I for one would protest most vigorously if the documentation relative to this bill were in French only, because my difficulty in reading French would delay me a good deal and I am sure I would not be finished reading the documentation until long after the bill had passed. I think hon. members who have protested have a legitimate protest. This is not a new situation which faces the government. I remember so well many such discussions when the Canada Pension Plan bill was before the house. I remember that when I first came to this house the sacred document of our procedure, Beauchesne, was available in English only and members who spoke the French language only had great difficulty in dealing with such matters.

I would say that if there are bills that are so urgent that they require immediate treatment efforts should be made to see that urgent measures are invoked with respect to the translation of any proceedings thereon. While there may be 43 copies printed in French and 50 in English, there should be 50 copies printed in French and 50 in English. I think it is quite unfair to those who speak French to be constantly left as a sort of second string. French is not the second language of this house; it is one of two languages which are equal and in no way subordinate one to the other.

Since "task force" is now an operative phrase on the government side, I think they should get a task force to work in order to complete this translation. There is plenty of room for flexibility in government orders. We frequently have examples of this flexibility. Frequently we do not know from day to day which particular order is going to come before us. I suggest that on a matter of principle so important as the rights of each language the government should take the necessary steps, provide a task force and get the translation done. I suggest that in the meantime we take up another important measure—there are several before us—and stop this situation whereby when something important comes before us we are told: "It is too bad but the documentation in French is not completed; and because this is an important matter let us deal with it in this form and we will do better next time".

We have been promised these better efforts for many years. If the translation facilities are not adequate, it behooves the government to make sure that they are improved and that bilingualism in this house is a functional fact as well as a legal fact that is acknowledged and a principle that is established.

[*Translation*]

Mr. Lambert: Mr. Chairman, I simply wish to bring a slight correction to what the minister said. We may not have received the 43rd part of the French version of the report, but I want to point out to the house that it is in the 43rd part that we find final consideration of Bill No. C-190, as pointed out by the hon. member for Lapointe (Mr. Grégoire). In fact, it is then that Mr. Rasminsky, governor of the Bank of Canada, was again questioned, when several members took part in the discussion.

I would like to make another slight correction. My colleague the hon. member for Kamloops (Mr. Fulton) had moved an amendment which was rejected in committee

and there had been a debate on that amendment. Even though the substance of that evidence and the minutes of proceedings concerning that bill was replaced in the 41st part of the report, we evidently have an addendum in the 42nd part, and I think it is necessary to point out this correction.

Now, I do not know whether we should postpone consideration of Bill No. C-190 this afternoon until we have the translation of report No. 49. Why consider the Bank Act? In fact, our position would be even more difficult, since we have not yet received the complete proceedings in English, let alone in French? Therefore, I leave the problem with the government. The leader of the house must decide what we shall do. It is not for the hon. Minister of Finance to decide the speed of translation of the committee reports. I think the government has had sufficient notice to realize that this situation constituted a problem, even though we must admit that great progress has taken place.

At this point, I would like to point out a paragraph of the committee report, page 3, where nothing is said, of course, about translation unfortunately. In fact, this is what the committee says, on page 3 of the English version. I quote:

[*English*]

Your committee recommends that the supporting services for this and other standing committees be expanded to meet the volume of work presently being carried out by them, such expansion to include

(a) more prompt translation of briefs and proposed amendments—

It says nothing about reports of proceedings. I suppose in general these should be included, but it does not specifically spell out the translation of reports of proceedings. I think this is just by way of *per incuriam* and I am sure all members of the committee would want to have this recommendation applied to the translation of all documents. They are not included specifically, but surely they fall within the generality of this recommendation.

Mr. Gray: Mr. Chairman, I think the hon. member for Edmonton West has brought to the attention of the house quite well the recommendation of the committee with regard to the improvement of supporting services. The fact that certain specific improvements were enumerated certainly does not, I think, preclude the argument being made that the general recommendation for expanding the supporting services for the finance committee and other standing committees was intended to be carried out in such a way as to include translation. In fact, recommendation (b) refers to the faster printing of committee proceedings, and I think implicit in this recommendation would be the services for translation. The members of the finance committee at least are well aware of my own efforts to attempt to have this aspect of the printing of the proceedings carried out in a better way. Unfortunately this responsibility is not something that comes within the direct powers of chairmen of committees.

Since this matter has now been explored in detail in the house at this time I suggest that perhaps it would be suitable to dispose of it in the following way. The Minister of Finance is in charge of this particular legislation. He is a cabinet member of great prestige, if I may say so, and has great responsibility. Perhaps he will be able to say that he will use his influence and will work with the house leader and others to make sure that this problem is finally resolved.

I think an even more appropriate time to discuss this particular problem would be when the estimates pertaining to the services of the house are before us. Generally these estimates are disposed of without any particular discussion and debate. I am not saying this is necessarily wrong, but I believe this will be one occasion when, since the matter has been brought before us in this way, we might explore this aspect of the services of the house in greater depth, particularly with the attendance of the house leader who has some responsibility in this regard and who at that time or earlier might assure us that this type of problem will not continue to recur. This point having been made and as the existing legislation expires on April 1, while fully recognizing the principle of having publications completely available in both languages I suggest that we should not overlook our responsibility to all Canadians throughout our country, both French and English, and should now go on to dispose of this very important legislation.

[*Translation*]

The committee of the whole knows how hard I tried to create in the committee on finance, trade and economic affairs a bilingual atmosphere which, in my opinion, helped all members of the committee to do their work in a friendly and serious manner, in short according to the proper method for

a bilingual parliament in a country like Canada.

I am disappointed to see that in spite of all my own efforts to get the services of the house to operate in a more adequate manner and to improve the translation services, we are still without the full translation of all the committee proceedings as we are considering the bill. However, even those who like myself and other hon. members who spoke take a great interest in having fully bilingual services in this house must admit that we have a responsibility just as important toward all the people of Canada, English speaking as well as French speaking to study and pass, if they are adequate, the Bank of Canada Act and the Bank Act bills, because they are of capital importance to all Canadians. Should we find it impossible to conclude our consideration of those bills in committee of the whole before April 1, I feel that all hon. members who like myself are interested in promoting bilingualism in Canada will not be serving at all the interests of the people of Canada.

• (4:30 p.m.)

Mr. Gauthier: Regarding this question of privilege, Mr. Chairman, I also wish to join with my colleagues and other English speaking hon. members in urging the minister this afternoon to make a gesture which will be conducive to greater unity in this house.

One French speaking member said that the minister should not be blamed for everything. I bear the minister no malice, but I submit he must accept his responsibilities. Having decided to introduce this bill this afternoon, he knew very well he had to make sure that we had the necessary documents in order to discuss the bill.

Words are all very nice, Mr. Chairman; I have been here almost five years now and, on both sides of the house, whenever this question of bilingualism comes up, I hear only one word: "sorry, sorry". Well, today, we say the same in French: we too are very sorry.

Mr. Chairman, we have been the first to demand what the constitution already provides; we have been doing this for almost five years now. It is not a question of favouritism, nor is it a question of one French Canadian speaking better English than other. No, no. It is a matter of constitutional right. I wonder when both groups will finally understand the meaning of this and I cannot see why the minister had to bring this bill before the house today.

We are told that discussion has to be completed by April 1. Mr. Chairman, let me

[Mr. Gray.]

point out to the hon. minister that there were exactly 12 months in the year 1966 and, since he knew that the bill had to be passed before April 1, 1967, the minister should have acted accordingly and brought the Bank of Canada Act before the house earlier, so that committee consideration might begin at an earlier date. Thus, he would not have to tell us, in a last minute rush: I have no alternative—

Mr. Sharp: Mr. Chairman, would the hon. member allow me a question?

[*English*]

Is he aware that the bill now before us received first reading on May 30, 1966?

[*Translation*]

Mr. Gauthier: I am well aware of that, and it is precisely what I want to tell the minister. It should have been introduced in January; once more, enough time was not allowed, since we are caught again at the last minute. Something surely went wrong somewhere, since we face conditions which force us again to rush through the debate of a bill which is supposed to be of the utmost importance to Canada. Once more, we are confronted with a minister in the soup and we are told: The people will pay the toll; it must be done.

We are fed up with that. For four years now, we have heard such reasons, such excuses which are nothing more than excuses to us. The minister delayed amending the bill for two years now, if not three. Let him take the required time because, according to the amendments to the bill, I have a feeling it will not improve considerably our economic conditions in Canada.

I am merely telling the hon. minister to assume his responsibilities. If he is not ready, because of the documents, to present the bill to the two groups in the house, let him give the necessary instructions and wait till we are given the copies so that we can study the question in our own mother tongue and know what we are talking about when we express our views.

I therefore ask the hon. minister, without prejudice, to respect the constitution, to respect the two ethnic groups in the house, to put them on an equal footing with regard to the debate.

Mr. Chrétien: Mr. Chairman, I should like to comment on the remarks of the hon. member for Roberval.

Of course, this is indeed an unfortunate situation, but one must remember that out of the 50 days of committee sittings that we have had and which ended recently, proceedings of 43 meetings have been translated and printed to date, while the 44th issue is being printed today and should be sent to hon. members tomorrow.

Out of the six fascicules which have not been translated and printed, three, I think, are not directly related to the Bank of Canada Act nor to the Bank Act, since they deal with evidence given in the Coyne-Stevens case as well as the evidence in connection with the Deposit Insurance Corporation Act. This would mean that there are no more than three or four reports, at the most, relating to the Bank Act and to the the Bank of Canada that have not been translated; there are also three English reports which are not ready.

One must not forget that the committee on finance, trade and economic affairs in whose work members have had a hand held 109 sittings in 50 days of work, since the end of October. Of course, this is committee work as has never been seen before, and this is the committee which has had the most sittings of all those created here in the House of Commons. Members of the committee have raised that question several times, and all were in agreement to demand that the translation be done more rapidly. Now, thanks to the efforts of our chairman and of other people on our committee, we have been successful in improving the situation greatly. Right now, even if we are three or four behind, I feel that is quite an improvement. Three years ago, one did not even expect to get them until six months later sometimes, whereas now one gets them only a few days late. In my opinion, one must recognize that the government is of good faith, and particularly the translation service which, as far as this committee is concerned, did a tremendous job. Of course, the system is not perfect but it has been tremendously improved and I think that a lot would be gained if hon. members were reasonable under such circumstances.

I know it is unpleasant, and I am as frustrated as any other member of the house. On the other hand, I sincerely believe that we have accomplished great progress. The fact that we spent one hour or perhaps an hour and a quarter this afternoon discussing this problem will make the heads of that service understand that we are really determined to find a solution. Their staff has been increased—I do not know by how much, but I believe it has tripled in the last two or three years—and when these new translators have acquired more experience, perhaps we will get a greater output.

As for now, I think it would be better to proceed without delay after making it clear that we will not tolerate such a situation indefinitely. We are honest enough to recognize the tremendous effort made, and I can assure the hon. member that we have pressed the translators every week to have the translation ready. I made every effort myself, but it was mostly the committee chairman. We are greatly disappointed.

On the other hand, because of the importance of this legislation and the work done by all committee members, and since we are all ready, at this time, to study that legislation, I think we could proceed without any prejudice to anyone. Under the circumstances, I do not think any members can complain, because the main evidence has been translated. I appreciate that the hon. member for Lapointe, (Mr. Grégoire) raised a very good point when he said that the last testimony of Mr. Rasminsky, which is recorded in fascicule No. 49, has not yet been translated unfortunately. On the other hand, one must admit that all relevant questions to the governor of the Bank of Canada were asked during many other sittings held previously. Under the circumstances, I do not think any member can complain that he has not received detailed information in his own language. And what is also most surprising, is that when the governor of the Bank of Canada was asked questions in French, he kindly answered in French.

There is also the fact that all those who have shown any interest in these debates have had the benefit of simultaneous translation. Truly, in the circumstances, we must admit that considerable efforts have been made in the last three or four years. In 1963, there was no simultaneous translation in the committees. But we have had it at every sitting of the committee.

In the circumstances, I think it would be reasonable to recognize the efforts that have been made. Obviously, the serious discussion that has taken place today in this matter is surely likely to improve this service which will gradually get better as the staff gains experience. To my mind, every effort has been

made to give adequate simultaneous translation service and we should recognize it in the present circumstances.

• (4:40 p.m.)

[*English*]

Mr. Fulton: It seems to me, Mr. Chairman, that the government has gotten itself into a hopeless situation here and I do not see how it is going to get out of it. There is no doubt that a matter of very fundamental importance, indeed a matter of principle, is involved. I agree wholeheartedly with my colleague the hon. member for Queens, who has pointed out to us that this is not a concession for which the members of the French tongue are asking. The proceedings before this parliament may be conducted in French or English. Those whose mother tongue is French have the right to have the proceedings to which we are referring and the documents with which we are dealing printed in their own language. I would further agree, Mr. Chairman, that were the situation reversed and the documentation was not available to me in the English language, I would be taking the position that my colleagues who speak the French language are taking, when they say that we should not be asked to proceed with the matter now before us until the French translations are available.

Mr. Chrétien: Would the hon. gentleman permit a question? Is he aware that there are three English reports which are not yet printed?

Mr. Fulton: Yes, Mr. Chairman, I am aware of that. I will take the minister's and the parliamentary secretary's word for that, but I submit that this makes my case even stronger and that the government's sloppiness has put it into an inextricable position. We are here asked to deal with important legislation when some of the committee proceedings have not been printed at all and ten sessions have not been translated into French. If the governments are anxious, as they are to get on with the consideration of this legislation, then are they incapable of addressing their minds to the importance of having these committee proceedings translated into French?

Mr. McIlraith: Would the hon. gentleman permit a question? Would he not agree that it was the inability, the failure, of the former government to deal with this question that caused some of the difficulty we now are facing? The translation staff has increased about threefold since the present government has been in office.

[Mr. Chrétien.]

Mr. Fulton: I certainly do not agree, Mr. Chairman. In fact, this only emphasizes the inadequacy and the impotence of the present government. Five years ago a situation arose of which the house leader said he had notice. This government have been in office for three and a half years but have still been unable to deal with the situation of which they had notice. The hon. gentleman is now trying to shift the responsibility to the former government.

Mr. McIlraith: I was really trying to correct—

Mr. Fulton: Is the house leader really trying to suggest that because there was an incident five years ago when a document was not translated that gives this government an excuse for not having taken action to correct the situation?

Mr. McIlraith: I am trying to correct the wrong impression that is being created by the hon. gentleman.

Mr. Fulton: It is obvious to me, Mr. Chairman, that what the hon. member is trying to do is to make a political point which does not apply.

Getting back to the question of principle involved here and away from the partisan political attitude of the house leader, I reiterate that proceedings in this chamber may be conducted in either French or English. The proceedings before the committee on finance, trade and economic affairs, which are important to the consideration of the bill before us, are not available in the French language. Minutes of Proceedings and Evidence No. 49, the report containing the evidence of Mr. Rasminsky, the governor of the Bank of Canada, in connection with the Bank of Canada Act is one of the volumes which has not been translated and made available in French. Yet the evidence of the governor of the Bank of Canada dealt with a very important point in connection with the Bank of Canada Act, a point which is bound to come up for discussion in the consideration of the bill in this committee. That point has to do with the cash reserves which the chartered banks are required to maintain with the Bank of Canada as well, amongst other things, as the question whether or not the Bank of Canada should pay interest on any portion of those reserves. That, Mr. Chairman, is a difficult, complicated and important point which is bound to come up for consideration in this committee at this time.

Therefore my position is that if my colleagues of the French tongue say seriously that they find themselves in the position where they are unable to deal as they wish with the points that are before us because of the lack of a French translation of the proceedings, then I think they have established a case that we are bound to support, and I submit that we cannot proceed with our consideration until these reports are made available.

I recognize the dilemma in which the government find themselves, but surely the government of Canada are not so impotent—and I say this seriously and not entirely sarcastically—that they cannot correct the situation. The Minister of Public Works—the house leader—the Secretary of State for External Affairs, the Minister of Finance, the Postmaster General and the Associate Minister of National Defence are all men, I am sure they would feel, of ability and energy, able to get things done. They and their colleagues collectively are able to carry on the government of Canada, if one were to take their word for it.

Are we to believe, Mr. Chairman, that these capable and energetic gentlemen cannot, if they address their minds to it, have these translations produced, overnight? If they gave the instruction, "Look, we need to deal with this bill without further delay so get going on the translation and printing of the French version of the reports", are we to understand that this cannot be done by tomorrow morning? If that is what hon. gentlemen are inviting us to assume, then I say in all seriousness, Mr. Chairman, and more in sorrow than in anger, that it demonstrates perfectly the incapacity of this collection of ministers to carry on the government of Canada.

Mr. McIlraith: Mr. Chairman, I do not know when last I listened to remarks more calculated to create a wrong impression about what is a difficult situation of great concern to this committee and to the House of Commons. The facts are these. The use of committees in the parliamentary procedures of this parliament has increased very sharply in this session. It increased by many times over the use made of them in former sessions. For example, there were 13 committees dealing with estimates alone. In no session in the past has the volume of committee work been anything more than a fraction of what it has been during this session.

• (4:50 p.m.)

To meet that situation, steps were taken to provide simultaneous interpretation in the committees. In this way, there would be a full appreciation of the right to use both languages without embarrassment to anyone. In spite of the difficulties in acquiring a sufficient number of skilled personnel, and thanks to the outstanding services of the personnel we were able to obtain, the system has worked well. Simultaneous translation was provided in all the committees and committee reports have been provided in the two languages. When the hon. member speaks about proceedings of the house, I must say we are not concerned now with the proceedings of the house, but rather with the printing of the evidence of a standing committee.

The situation in that respect has changed over the years. It has changed substantially. The former practice was to print the evidence of only some committees while other committees did not print any of the evidence of their hearings At the moment the practice is to print the evidence of all committees, with the possible exception of one or two. One exception is the special committee dealing with procedure. The other exception is a committee which does not meet very often, the committee on standing orders.

There has been a sharp change then in this regard, and there has been a sharp increase in the use of committees as an aid to this house in the performance of its duties. The demand that has been created has been difficult to meet. I regret that I must tell the committee that our educational system in this country has not been producing the volume of trained personnel necessary for this kind of work. The government has done everything in its power to get them—

Mr. Knowles: Has it?

Mr. McIlraith: I am sorry to contradict the hon. member for Winnipeg North Centre, but the government has given a great deal of attention to this subject, as he well knows.

Mr. Knowles: I rise on a point of personal privilege. I was referring to the minister's statement that the government had done everything about education. That was the remark to which I was taking objection.

Mr. McIlraith: I made no reference to doing anything about education. I said we had done everything we could to obtain translators.

Mr. Cameron (Nanaimo-Cowichan-The Islands): Oh, no.

Mr. McIlraith: Yes, and the record will speak for itself.

Mr. Cameron (Nanaimo-Cowichan-The Islands): If it is not changed, yes.

Mr. McIlraith: It will not be changed. I am not like the hon. member for Nanaimo-Cowichan-The Islands, so the record will not be changed.

Mr. Fulton: May I ask the minister a question?

Mr. McIlraith: Yes.

Mr. Fulton: May I ask the minister to explain this fact? As a result of a recent tragic event this house has been adjourned for three or four days during which time there were no proceedings to be printed or translated. When the government knew this legislation was coming up as the first matter today why did they not give the necessary instructions to make arrangements to have this particular translating and printing done so the record would be available?

Mr. McIlraith: My answer is that I do not know. I did not check that administrative aspect, so I do not know what the explanation is. I do know something of the burden that has been put on these translators. There simply are not enough of them.

Mr. Grégoire: May I ask a question?

Mr. McIlraith: In a moment. We have used every means possible to acquire a sufficient number of translators to do this job in a reasonable time. It is quite unrealistic, by the way, to expect that it could be done overnight.

Mr. Grégoire: May I ask the minister a question?

Mr. Cameron (Nanaimo-Cowichan-The Islands): May I ask the minister a question?

Mr. McIlraith: If there could be some order—

The Acting Chairman (Mr. Richard): Order. Hon. gentlemen must realize this should be a quiet debate. There is a matter of principle involved. If the minister wants to answer questions, he will do so. I do not see why the debate should develop any heat.

Mr. McIlraith: The situation is that we have made every effort possible to get a sufficient number of translators to translate the proceedings. However, it has not been possible to get them. We have used a great many different methods to try to meet the situation. I hope it can be corrected reasonably soon. I am confident that it can. I am appreciative of the fact that the problem came upon us very suddenly when we changed the practice of the house and sent so much work to committees. I, for one, am fully appreciative of the desirability of having committee proceedings printed in both languages, although I do question the wisdom of all the committees ordering the printing of their evidence. This is a new practice which I think has been adopted without sufficient consideration.

In so far as the situation today is concerned—perhaps before I deal with it I should take a question from the hon. member for Lapointe.

Mr. Grégoire: My question is the following: As the minister is aware, in 1964 when the pension plan was started the same problem arose but we were provided with 24 fascicules of the proceedings in less than 24 hours. Would the minister say, as the hon. member for Kamloops asked a few minutes ago, if he could take responsibility for producing seven or eight fascicules for tomorrow morning? As I said, the Secretary of State at that time succeeded in producing 24 fascicules in less than 24 hours, so could the minister do that for tomorrow?

Mr. McIlraith: I cannot give the hon. member an answer concerning the proceedings in 1964. However, speaking from recollection and without having any direct knowledge of the matter, I believe the difficulty at that time was in connection with printing and not translation. This is the difference.

In any case, in order to get the evidence I will undertake to ask the appropriate officer to find out what can be done about getting it at the earliest possible moment. Unfortunately some of the printers were off duty yesterday, as were members of this house. These things do eat into the time available. In any event, in order to ascertain what can be done about this matter and how to do it I suggest that we should rise, report progress and then proceed to a consideration of items 135, 86 and 119 on today's order paper but not necessarily in that order. I should like to hear a discussion of that suggestion.

[*Translation*]

Mr. Cadieux (Terrebonne): Mr. Chairman, I would like to ask the hon. member for Kamloops (Mr. Fulton) if he would permit me a question.

Mr. Fulton: Yes.

Mr. Cadieux (Terrebonne): The hon. member for Kamloops said a while ago he was supporting the statement made by the hon. member for Queens (Mr. MacLean). Here is what the hon. member for Queens said: Parliament is bilingual but Canada is not a bilingual country. Does he agree with that statement?

Mr. Fulton: If the hon. member can relate this question to the present discussion, I shall give him an answer.

Mr. Laprise: Mr. Chairman, I rise on a question of privilege. I wish to make something clear as concerns the statement made a while ago by the hon. member for Saint-Maurice-Laflèche (Mr. Chrétien) and I also wish to caution the leader of the house to the effect that we have never asked to bring pressure on the translators or incite them to give us the committee reports more quickly. What we want is sufficient staff and equipment, so that we can get those reports. And we think it inhuman to press or prod the civil servants, calling for more work than they are able to do normally.

• (5:00 p.m.)

[*English*]

Mr. Cameron (Nanaimo-Cowichan-The Islands): I wonder whether the leader of the house would answer a question I wanted to ask him earlier, one which perhaps he did not wish to be asked?

Mr. McIlraith: No, I would be glad to answer it.

Mr. Cameron (Nanaimo-Cowichan-The Islands): Is the minister aware that in the last year we have lost several members of the translation and interpretation service of this house because of dissatisfaction with the conditions imposed by this government? If he intends to look into this question will he look into the reasons for their resigning to go into private practice?

Mr. McIlraith: Yes, I will be very glad to do so. I have considerable knowledge of this matter. There is only one error in what the hon. member said. That was the phrase "due to conditions imposed by the government". If he had left out "the government" and associated himself and the members of his party more closely with his complaint, his statement would have been more accurate.

Mr. Cameron (Nanaimo-Cowichan-The Islands): What is the minister inferring? Is he telling us that the government is no longer responsible? Is he giving us to understand that this is the case? We have accepted it for quite a while. Whose responsibility is it?

Mr. McIlraith: I do not know whether I should try to enlighten the overheated hon. member. Technically, this work is the responsibility of the Clerk of the House of Commons under the direction of the Speaker.

Mr. Cameron (Nanaimo-Cowichan-The Islands): The translation bureau is not. It comes under the control of the Secretary of State. If the leader of the house does not know that, he should find out these things before—

Mr. McIlraith: It is presently being undertaken by the bureau of translation of the Secretary of State so as to avoid adding personnel directly to the House of Commons staff since it was thought—and the record achieved has proven this to be correct—that the method now in effect is much the better way of doing things. The bureau of translation is, of course, a government agency and a direct responsibility of the government.

Mr. Cameron (Nanaimo-Cowichan-The Islands): Then the government is responsible.

Mr. McIlraith: No. That is the wrong way of stating it. In any event, I do not think this is relevant to the question before us. It is a difficult question and one which deserves attention. Perhaps the hon. member could inject less heat into the debate and shed more light.

Mr. Cameron (Nanaimo-Cowichan-The Islands): We can get no light from you.

[*Translation*]

Mr. Allard: Mr. Chairman, I should like to conclude my remarks on this subject by making a suggestion to the hon. Minister of Public Works (Mr. McIlraith).

He mentioned, quite rightly, that the government has difficulty in obtaining enough interpreters to meet the needs of the house and the parliamentary committees. I think the government should increasingly consider raising the salaries of interpreters. During the present session, the salary of judges has been raised from $21,000 to $26,000. In another session, the salary of members of parliament was raised to $18,000. If we wish to have as interpreters extremely qualified persons or encourage people to specialize in this field—the difficulty in recruiting interpreters is not new, for the situation has been with

us for many years, here, in Ottawa—I suggest that we should offer exceptional salaries, very high salaries, so that in the house and in the parliamentary committees, we might have a greater number of interpreters and we might even get a greater number of Canadians interested in specializing and offering their services and even leaving private enterprise or other private organizations, to devote themselves to interpretation in the House of Commons.

Mr. Chairman, we did not want this afternoon to criticize at all the work of the interpreters; on the contrary, they do an excellent job and I want to congratulate them for their eagerness and their devotion to their work. But they are not numerous enough and I hope that very soon, since salary increases in all areas seem to be the trend, the government will not hesitate to grant substantial increases to our interpreters.

Mr. Mongrain: Mr. Chairman, I rise on a point of order.

I note that the Minister of Public Works (Mr. McIlraith), government leader in the house, has just suggested that we proceed to the consideration of other government business.

I am one of those who wondered this afternoon at the great efforts made by everyone to guard against emotion and excitement which prevent mutual understanding.

I would like to suggest, if I am in order, that we accept the suggestion of the minister to proceed to another item; the minister will have the opportunity tomorrow to ascertain to what extent he can satisfy our complaints and we will then decide whether or not we are in a position to accept.

[*English*]

Progress reported.

FINANCE

PROVISION FOR FEDERAL PAYMENTS TO PROVINCES

Hon. Mitchell Sharp (Minister of Finance): moved the second reading of Bill No. C-277, to authorize the making of certain fiscal payments to provinces, to authorize the entry into tax collection agreements with provinces, and to amend the Established Programs (Interim Arrangements) Act.

He said: Mr. Speaker, in opening the debate on second reading of this bill it might be useful if I were to say a few more words of explanation to enable hon. members to have a better understanding of what is proposed and how it compares with present arrangements which will expire at the end of the month.

First, on the joint use of tax fields. Parliament is being asked to increase the general abatement of the federal individual income tax from 24 to 28 percentage points and the abatement of the corporation income tax from 9 to 10 per cent of corporate profits. As I explained when moving the resolution preceding this bill, this action is proposed to enable the provincial governments to make corresponding increases in their income taxes to help meet the rising costs of higher education. Parliament is also being asked to continue the present arrangements under which the provinces receive the equivalent of 75 per cent of the yield of the federal estate tax and to extend for two more years the agreements we have with nine provinces under which the federal government collects on their behalf the income taxes they impose. Thus the change in the arrangements concerning the division of tax fields is the reduction of the federal personal income tax by four percentage points and the reduction of the federal corporation income tax by one per cent of corporate profits. If the provinces ultimately were to accept the federal offer in respect of the continuing and well-established health and welfare shared-cost programs, the general abatement of the federal personal income tax would be further increased to 5 percentage points.

Second, a fundamental reform of the equalization arrangements is being proposed. Under existing arrangements the per capita yields of the personal and corporation income taxes and the estate tax at standard rates of taxation are equalized to the level of the top two provinces and then a deduction is made in the case of provinces whose natural resources revenues are above average. In addition, special grants, the Atlantic provinces adjustment grants, are paid to the four Atlantic provinces. These grants were originally paid in amounts equal to an approximation of the amount required to equalize the yield, at national average rates, from all provincial-municipal revenue sources other than those already included in the general equalization formula, up to 85 per cent of the national average.

• (5:10 p.m.)

The equalization formula proposed in this bill differs from the existing arrangements

in three important respects. First, it is based on a comprehensive index of the relative fiscal capacities of the provinces and takes all provincial revenues into account. Second, it is sensitive to the revenue requirements of the provinces taken together and to changes in the relative tax capacity of the individual provinces. Third it takes into account objective factors only; transitional problems are dealt with in special transitional arrangements.

If hon. members will refer to the two tables which were placed in *Hansard* of March 2, pages 13684 to 13687, it will be observed that for purposes of calculating equalization payments provincial revenues have been grouped into 16 classes. As indicated in Table 1, pages 13684 and 13685, the tax or revenue base for each class of revenue is identified and determined for each province and for all the provinces together. Having determined the revenue base for each revenue source, the amount of revenue derived from each source by all provinces is determined. The total of provincial revenues for each revenue source is then applied to the total appropriate revenue base to determine the national average provincial revenue rate for each source.

In brief, the average provincial "tax rate" for corporation income tax, the average provincial tax per gallon for gasoline, the average provincial sales tax rate, etc., is determined, and this average provincial tax rate is applied to the appropriate revenue base in each province to calculate the revenue each province would derive from its own revenue base at this provincial average tax rate. The total potential revenue available to each province from all provincial sources, at average provincial tax rates, is then converted into per capita terms for comparative purposes.

If the total potential per capita revenue for a province is below the per capita total for all provinces, that province will be entitled to an equalization payment equal to the difference. The total payment, as indicated in line 8(b) of Table II, pages 13686 and 13687 of *Hansard*, will be the product of the per capita deficiency multiplied by the population of the province.

I feel, Mr. Speaker, that I am describing this like the announcer on the radio in the morning who is trying to convince us that the simplified tax forms are indeed very simple. However, I think it will be better understood on reading than on listening.

On applying this formula to provincial data it was found that six provinces would be entitled to equalization and four provinces, Ontario, British Columbia, Alberta, and Saskatchewan, would not. To enable the province of Saskatchewan, which will receive equalization grants amounting to about $33 million in 1966-67, to make an orderly transition to its new status, provision is made to phase out Saskatchewan's current equalization entitlement over the five-year life of the new arrangements.

Some hon. Members: Oh, oh.

Mr. Sharp: I think the hon. member for Burnaby-Coquitlam (Mr. Douglas) will understand how embarrassing it is to be the premier of a prosperous province. He was never faced with this dilemma but I am sure his sympathies will go out to Premier Thatcher and the dilemma in which he finds himself of now being one of the "have" provinces.

Mr. Douglas: I sympathize with him having to deal with such a Scrooge of a minister of finance.

Mr. Sharp: The bill also includes a special guarantee for the Atlantic provinces. It provides that no Atlantic province shall receive less under the new formula than the amount it received in total in the present and last year of the existing arrangements plus an amount equal to its 1966-67 share of the Atlantic provinces adjustment grant, that is, $3.5 million in the case of Prince Edward Island and $10.5 million in the case of Newfoundland, Nova Scotia and New Brunswick. These guarantees are reflected in line 9 of the table on page 13687 of *Hansard* for March 2.

I have had a table prepared which compares the estimated payments to the provinces in 1967-68 under the equalization formula provided for in this bill with the estimated payments this year under the current arrangements, and with the permission of the house I would be pleased to have this table placed in *Hansard*.

Mr. Speaker: Is it agreed that the minister shall have leave to table certain documents which will be part of *Hansard*?

Some hon. Members: Agreed.

[*Editor's note: The table above referred to is as follows:*]

Equalization Payments to Provinces

COMPARISON OF ESTIMATED EQUALIZATION PAYMENTS TO THE PROVINCES IN 1966-67 UNDER THE PRESENT ARRANGEMENTS WITH ESTIMATES OF PAYMENTS FOR 1967-68 UNDER THE PROPOSED ARRANGEMENTS
(Millions of Dollars)

Provinces	Total Payment			Per Capita Payments		
	Present Arrangements	Proposed Arrangements	Change	Present Arrangements	Proposed Arrangements	Change
	1966-67[1]	1967-68[2]		1966-67[1]	1967-68[2]	
Newfoundland	37.7	66.9	+ 29.2	74.65	129.90	+55.25
Prince Edward Island	10.6	14.1	+ 3.5	97.24	127.02	+29.78
Nova Scotia	50.2	73.4	+ 23.2	66.05	95.57	+29.52
New Brunswick	44.7	64.8	+ 20.1	71.29	102.20	+30.91
Quebec	150.4	260.2	+109.8	26.18	44.39	+18.21
Ontario	—	—	—	—	—	—
Manitoba	27.7	29.5	+ 1.8	28.91	30.38	+ 1.47
Saskatchewan	33.0	26.4	− 6.6	34.59	27.35	− 7.24
Alberta	—	—	—	—	—	—
British Columbia	—	—	—	—	—	—
Total	354.3	535.3	+181.0	—	—	—

[1] The amounts shown for present arrangements include the Atlantic provinces adjustment grants.

[2] The amounts shown do not include equalization associated with the revenue, in each province, estimated to be derived from the additional 4 percentage points of personal income tax and 1 percentage point of corporate profits being transferred to the provinces under the new post-secondary education arrangements.

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Mr. Douglas: Can the minister present any figures projecting what the revenues will be over the lifetime of the agreement?

Mr. Sharp: No, Mr. Speaker, I cannot. That depends both upon the rates of provincial taxes and the revenues that are actually raised in a province and the revenues raised by all provinces. The difference between this formula and any other is that it is much more comprehensive and completely automatic in its operation, and I believe is a very considerable improvement over anything we have had previously.

I do not believe I need add to what I said earlier in the house about the provisions of this bill for stabilizing provincial revenues. Nor do I need to add to what my colleague, the Secretary of State (Miss LaMarsh), has said concerning the proposed arrangements in respect of post-secondary education.

I would like only to say a word about the value to the provinces of the whole of the federal-provincial fiscal arrangements being proposed and their relationship to the fiscal circumstances facing both levels of government in our country. As a result of the arrangements provided for in this fiscal arrangements bill and in the income tax bill, and as a result of the extension of capital assistance for technical and vocational training provided for in Bill No. C-278, the provinces will receive next fiscal year, either in the form of cash payments or additional tax transfers, a total amount estimated at over $1 billion. This is approximately $375 million more than the provinces will get this year under existing arrangements. With the permission of the house I would like to place in *Hansard* a table which compares estimated payments to each province in 1966-67 under the existing arrangements with estimates for 1967-68 under the proposed arrangements.

Mr. Speaker: Is this agreed?

Some hon. Members: Agreed.

[*Editor's note: The table above referred to is as follows:*]

COMPARISON OF ESTIMATED FISCAL TRANSFERS TO THE PROVINCES UNDER THE PRESENT FISCAL ARRANGEMENTS IN 1966-67 AND UNDER THE PROPOSED FISCAL ARRANGEMENTS FOR 1967-68
($ Millions)

Provinces	PRESENT ARRANGEMENTS—1966-67 (Estimates) Equalization Payments including Atlantic Provinces Adjust. Grant	University Grants at $5 Per Capita Adjusted	Technical and Vocational Training Operating and Capital	TOTAL	TOTAL Per Capita (Dollars)
	(I)	(II)	(III)[1]	(IV)=(I+II+III)	
Newfoundland	37.7	2.2	1.1	41.0	81.2
Prince Edward Island	10.6	0.6	0.2	11.4	104.6
Nova Scotia	50.2	5.1	4.1	59.4	78.1
New Brunswick	44.7	4.0	3.4	52.1	83.1
Quebec	150.4	28.9	68.3	247.6	43.1
Ontario	—	33.4	63.7	97.1	14.1
Manitoba	27.7	5.1	4.8	37.6	39.2
Saskatchewan	33.0	4.5	4.5	42.0	44.0
Alberta	—	7.0	7.3	14.3	9.8
British Columbia	—	8.9	12.9	21.8	11.7
Total	354.3	99.7	170.3	624.3	31.4

Provinces	PROPOSED ARRANGEMENTS—1967-68 (Estimates) Equalization Payments	Fiscal Transfer in respect of Post-Sec. Education	Extension of Capital Assist. for Tech. and Vocational Training	TOTAL	TOTAL Per Capita (Dollars)
	(I)	(II)	(III)	(IV)=(I+II+III)	
Newfoundland	66.9	7.7	0.8	75.4	146.4
Prince Edward Island	14.1	1.7	0.8	16.6	149.5
Nova Scotia	73.4	13.7	6.0	93.1	121.2
New Brunswick	64.8	9.5	2.0	76.3	120.3
Quebec	260.2	106.0	45.0	411.2	70.1
Ontario	—	112.7	40.0	152.7	21.7
Manitoba	29.5	17.8	5.0	52.3	53.9
Saskatchewan	26.4	15.6	7.0	49.0	50.8
Alberta	—	30.3	7.0	37.3	24.9
British Columbia	—	30.6	8.0	38.6	20.3
Total	535.3	345.6	121.6	1,002.5	49.5

[1] Does not include adult operating or capital expenditures under Technical and Vocational Training Agreements.

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Mr. Lewis: What is the difference between the two tables?

Mr. Sharp: The first one relates to the equalization payments and the other relates to the total of all payments.

I believe, Mr. Speaker, these proposals are not only generous and equitable but that they are well adapted to the circumstances facing governments in Canada today. The requirements of higher education in this country are such as to warrant priority and concerted action by both levels of government. This priority need is recognized in the proposed transfer of fiscal resources to the provinces in amounts which will keep pace with the

growth in expenditures on post-secondary education.

But it is not enough any longer to enact periodic fiscal transfers to the provinces as and when the federal government feels it can afford to reduce its taxes or increase its grants to them. What is required is ready access to adequate revenue sources, sources which the provinces can cultivate as much or as little as they choose.

I am sure it is evident to all Canadians that the provinces have as much right to levy income taxes as does the federal government, that they are imposing consumption taxes which now almost equal the federal government's sales taxes, and that virtually all royalties and other resources revenues are paid to the provincial governments. What has been lacking is not adequate revenue sources but the automatic equalization of the yields from these revenue sources so as to guarantee to the less fortunate provinces that as provincial governments do levy higher taxes their tax yields will keep pace. Also lacking has been the automatic stabilization of provincial revenues so as to mitigate for provincial governments the hazards of the business cycle.

This bill remedies these two deficiencies in provincial public finance. It assures the provinces that as and when they increase their tax fields, federal equalization payments will increase automatically. It also assures them that if and when the yields should fall the federal government will provide a floor to provincial revenues. This is a régime of fiscal freedom and security, Mr. Speaker, which is a considerable stride forward from the fiscal uncertainties and insufficiencies from which the provinces once suffered.

• (5:20 p.m.)

Hon. Marcel Lambert (Edmonton West): Mr. Speaker, the minister indicated in the course of his remarks that the found the formula he was trying to explain much like the new simplified tax form that we have to fill out. I think he is minimizing the difficulties facing hon. members generally in respect of really analysing the bill to see who is to gain and to assess the value of the government's proposal. We recall that last autumn at the dominion-provincial conference there was a tremendous uproar from the representatives of the provinces because they felt that the proposal then put forward by the federal government was not even understood by the representatives of the federal government. Since that time the Minister of Finance (Mr. Sharp) and his staff have had an opportunity to really study all the implications, as have the provinces.

At the outset I must say I find it rather singular that last autumn the provinces cried to high heaven that they were being maltreated. There was a great performance all around. As a matter of fact, there were real histrionics. Since then, however, there has been a deadly silence. Although the bill has been published since March 3 we have not heard much, if anything at all, from the provinces concerning its effect. True enough, there is one, I suppose, who might be deemed to have benefited from the objectives he raised in view of the provision in clause 9 of the bill with regard to Saskatchewan transitional payments. I am wondering whether we should call it "Thatcher's Soothing Syrup". It does provide for some easing of the change with regard to Saskatchewan. I do not know whether this is an attempt to try to blight the cause of the premier of that province who seems to delight in raking the backs of his colleagues in Ottawa from time to time. I am not going to go into, shall we say, the period of transition in his political philosophies from when he sat with hon. members on the left to the position he now occupies where he seems to be in the Liberal right.

Some years ago at the time we went through a mammoth exercise when the minister's predecessor was in office we had presented to us with a great fanfare of trumpets, as though it was really the epitome of co-operative federalism, a bill called the Established Programs (Interim Arrangements) Act. I remember that the hon. member for Nanaimo-Cowichan-The Islands (Mr. Cameron) and I characterized that bill as the smallest mouse the mountain had ever produced in its most difficult labours, because it did nothing. Lo and behold, it does nothing again today. All it does is confer on one province an extension of the famous opting out formula in part. Mind you, when we consider the bill clause by clause in detail I think the minister had better explain just what it all means and whether it is limited or applies to all joint programs. In essence, however, it does indicate that it applies to any program commencing after September 30, 1967. We will get around to that.

As I said, I still think that earlier legislation was the biggest fraud perpetrated on the Canadian public as being a new formula for granting the provinces fiscal rights. Under that act they had no more rights than they

ever had in so far as these particular programs were concerned. They were still tied to the agreements and are now still tied to the joint program agreements. There are no relaxations at all. The only thing is that the one province, the province of Quebec, which has availed itself of the provisions may feel it is getting squatters' rights with regard to certain tax revenues. That, of course, will be something for the future to decide. I am trusting that there will be some amicable form of arrangement, because if there is not there will be a cataclysmic collision between the two governmental authorities and we will be in for a difficult time. If such is to be our fate, we may just be postponing the evil day. I trust that this will not be the case and that we will be able to work it out.

I agree that there is to be some sort of reallocation of the sources of funds between the federal government and the provinces. Just what the formula is is hard to define. It is worthy of note that the provinces and their municipalities now spend far more money than the federal government. Obviously this bill is the incarnation into a statute of a principle that was enunciated back in 1961 when the prior dominion-provincial agreement was negotiated, that is, if the provinces want to spend money, then let them tax for it. I think this is a sound and fundamental principle and I agree with it. Those provinces which wish to carry on at a higher level than some of their counterparts in the remainder of Canada can legislate and face up to the realities of imposing the taxes for the money they wish to spend. They have this right. The then minister of finance and the government were severely criticized for imposing this upon the provinces but, as I say, like Paul on the way to Tarsus the present administration became converted to this fact and now really is putting it into force with a vengeance.

One question on which the minister did not touch has to do with clause 5. This will be my only reference to that clause. It deals with the basic estate tax, its definition and what happens to succession duties. I should like to hear what the minister has to say about the proposal contained in the statute introduced for first reading in the legislature of the province of Alberta the other day in which power is given to the province to repay—this is a novel way to do it—to the administrators, trustees, or successors of an estate up to 75 per cent of the estate tax that has been paid. Presumably this is an initial step to create Alberta as an estate tax haven.

How will this affect this particular agreement? How will it affect the relationship with the other provinces? As a matter of fact, I think the province of British Columbia has similar legislation before its legislature. Perhaps it is not exactly the same in detail but it has the same aim. We will find, of course, that a number of other provinces will follow this example. How is this going to affect these agreements? After all, the agreement is for five years. Much can happen in that time in relation to succession duties, and the balance of payments to provinces may be completely upset. What then will be the result?

• (5:30 p.m.)

In concluding my remarks on second reading I should like to protest once more against what I think is a fundamental error in the determination of revenue source. I made this protest at the time of the passing of the Established Programs (Interim Arrangements) Act. I have specific reference to federal-provincial fiscal arrangements in relation to the determination of what moneys obtained by the provinces from the sale of crown leases and reserves on oil and natural gas lands shall be deemed to be revenue. This is fundamentally wrong because the sale of crown leases and reserves is in effect the alienation of capital assets.

It is true that revenue can come from royalties but the provinces of Alberta and Saskatchewan have objected strenuously to the oil and gas revenue feature being incorporated in the formula in earlier years. I remember that the hon. member for Burnaby-Coquitlam (Mr. Douglas) also objected very strongly. The principles behind our arguments at that time apply equally today. I cannot for the life of me see why something which is in essence the sale of an asset should be considered revenue. In that event one might say that in a certain regard the province of Alberta would be acting like the prodigal son. I think a fundamental mistake has been made in this regard because of the budgeting philosophy of the province of Alberta which has always considered the proceeds from the sale of leases and reserves on oil and natural gas lands in the same way Saskatchewan considers the sale of leases on phosphates. If these were bonus considerations, that would be one thing, but these are sales of capital assets and it is fundamentally wrong to incorporate them in any revenue picture. This would be a method of financing

a spendthrift or a person going into bankruptcy. One must believe that one could live off the proceeds of the disposal of capital assets.

Certainly this whole question involves millions and millions of dollars for the province of Alberta and has involved a great deal each year for the past ten years. This has altered the revenues of that province. I cannot understand why the proceeds from the sale of crown leases and reserves on oil and natural gas lands should be included as a revenue source.

I trust that other members of the house will express their views on this point and I hope the minister will give us a detailed explanation of why this is being done. It is my suggestion to the minister that this is working an injustice on the provinces of Alberta, Saskatchewan and to some extent British Columbia. I do agree that royalties should be considered as revenue because they are obtained over a period of years but I cannot understand the inclusion of bonus considerations on auction sales of crown leases and reserves. I hope we will be given some explanation.

In respect of this bill we are again faced with the five minute to midnight situation. We are being asked to pass this bill because the present agreement expires on March 31. A conference was held in this regard in September and I wonder why the bill was not introduced long before now in order that we could carry out a thorough study of it. The adoption of this bill will determine for several years the division of revenues between the federal government and the provinces, and I think it is almost contemptuous of parliament to ask us to pass it at this late stage. Had it not been for the accidental rising and reporting of progress of the committee in respect of Bill C-190 we would not now be dealing with this bill. Probably we would not have dealt with it until much later this month after we had considered the Bank Act.

I cannot let this opportunity pass without vehemently protesting against the comtemptible attitude the government has shown toward parliament. This action embellishes the image of this minister vis-à-vis that of one of his colleagues who wants one uniform and one rank structure. In my opinion this measure is far more important than Bill C-243. With those remarks, Mr. Speaker, I wish now to let others indicate how dissatisfied we are with the timing of this measure and some of its features.

Mr. Sharp: Do not prejudice the discussion.

[Mr. Lambert.]

Mr. T. C. Douglas (Burnaby-Coquitlam): Mr. Speaker, it is unfortunate that this bill has been brought on suddenly before we have had an opportunity to study it in detail. The resolution preceding the bill was only passed the other day and there are a great many details we need before making a complete assessment of the bill. It was my hope that we would be given a more detailed statement by the ministers concerned than we have been given today. Perhaps after we look at the two tables the minister put on the record we may get some further information.

Having regard to the bill before us and the statement of the minister let me raise several objections. The first is that the new equalization formula will equalize grants to provinces to the level of the national average whereas in the past they were equalized to the average of the two top provinces.

Mr. Sharp: In respect of two sources of tax.

Mr. Douglas: Yes, in respect of two sources of taxes. But many of us have argued for a long time that they ought to be equalized to the top province. However, we have settled for an average of the two top provinces. The minister now intends to base the equalization payment on the national average. This will destroy much of the value we estimated would result from the equalization formula.

• (5:40 p.m.)

Let me remind the house that if one reads the Rowell-Sirois report one finds that its whole concept, was that the federal government should collect the three main taxes, income tax, corporation tax and succession duties, and that this pool of tax revenue ought to be divided, after the federal government had taken out its share, among the provinces on the basis of need. This was the fundamental concept. The concept of that report was that payments should be made to the provinces in order to bring them up to a level of services for education, health and welfare that would make for uniformity across Canada. The concept of the Rowell-Sirois report was that a Canadian, irrespective of the geographic area in which he or she might live, was entitled to a certain standard of health, welfare and educational services commensurate with the level of services enjoyed by Canadians in other parts of the country.

Successive governments, of course, have never lived up to this principle of need. What we have done instead is to work out an

equalization formula designed to mitigate the worst discrepancies that obtain between the various regions of Canada. I submit that the equalization formula now before the house is certainly not going to eliminate the existing regional disparities. The minister says, of course, that the total amount for equalization grants is larger. That is true; it is higher in total by some $140 million. But I would point out that in connection with the $494 million in equalization payments one province will receive almost half, namely, $235,282,000. I am not complaining about that but it will do little to remove the disparity that exists in some of the other provinces. When one sees that the province of Newfoundland will receive $59.8 million, Prince Edward Island $14 million, Nova Scotia $69 million, New Brunswick $60 million and Manitoba $29 million, one realizes that this formula will do little to enable the people in the have-not provinces to enjoy the same level of services that is enjoyed by people in other parts of the country.

I understand it is the intention to eliminate the Atlantic provinces adjustment grants. If those grants are eliminated, of course, the special consideration which was being given to the Atlantic provinces will be removed. I am fearful that the minister is thinking purely in financial and budgetary terms and has lost sight of the original principle of equalization which was to eliminate as far as possible the discrepancies which obtain between the revenue of some parts of Canada and others and their ability to provide their people with adequate services.

I noticed that the hon. member for Edmonton West (Mr. Lambert) said that the provinces should impose the taxes for the money which they want to spend. This, I take it, is the principle upon which the minister is proceeding. That seems logical in theory. The fact is that there are provinces in Canada which do not have the tax base from which revenue can be derived. There are provinces in Canada that, no matter what taxes they impose, cannot possibly of their own accord give to their people a level of services that would in any way be related to the services provided in the wealthier provinces. The whole purpose of equalization was to recognize this fact, to recognize that much of the money collected by the federal government is collected from corporations which are located in certain provinces but make their money in other parts of Canada, and that the money, although it is collected in the wealthier provinces, is not all earned in those wealthier provinces but is earned as a result of the effort of all the people of Canada and by doing business in every part of Canada.

I am fearful that the reducing of the equalization formula to the national average is moving in the wrong direction. For a while it was based on the national average. The provinces felt it was a significant gain to be able to get equalization to the two top provinces, and we hoped that eventually we would get equalization to the top province and thus we would bring the other provinces up to the level of the highest income province in Canada. Now we are taking a retrograde step and going back to the national average.

My second objection to this legislation is that it completely ignores municipal revenue. I think that the government in its equalization formula would have been wiser to have stayed with even the three original sources of revenue that were in the agreement preceding the one now in existence. But if the government is going to take into account all forms of provincial revenue it ought to go one step further and include municipal revenue, because there is a wide variation among the provinces in the division of responsibilities between the respective provinces and their municipalities. Some provinces spend more money to help their municipalities and their school boards, and provide services which in other provinces have to be supplied to a greater extent by the municipalities. I feel that the government has ignored this factor completely, which will further accentuate the discrepancies that are bound to occur between provinces.

My third objection to this legislation is that it is concentrated solely on the revenue side of the equation and takes no account of the variations in the cost of providing services in different parts of Canada. The cost of providing services in some parts of Canada is considerably higher than in other parts of this country. I think the minister, in basing an equalization formula solely on the total average tax yields across Canada, has overlooked this important point.

• (5:50 p.m.)

My fourth objection has to do with the desirability of including all forms of provincial revenue in computing equalization grants. I remind the house that originally equalization was based on the revenues which a province received from three fields of taxation, namely, income tax, corporation tax and succession duties. In arguing the case when

the present formula was introduced I for one opposed including revenue from resource development, and I am still opposed to it. I am opposed to including it for two reasons. First, as has already been pointed out, revenue from resource development is a declining asset; it is not a recurring revenue. It is revenue from oil, from minerals of various kinds and from timber, much of which is not renewed. Timber if properly managed can be renewable, but oil, gas and minerals are not renewable assets and as they are used up the revenue will decline. To use this as one of the factors in determining equalization payments seems to me to be most unfair.

The other reason why I do not think revenue from resource development should be included is that the minister is taking into consideration the gross revenue. If a province succeeds in getting revenue from oil, potash, sodium sulphate, copper, lead, zinc, coal or any of the minerals that are mined in a province, that province must spend very large sums of money to bring about that development. It must spend money on geophysical surveys, on exploratory work and on building roads into these areas. Therefore if the minister must include the revenues from resource development in computing the equalization formula, surely it should at least be a net figure and not a gross figure. The result of including not only resource development revenue but all revenue for the province and taking the national average means that we are getting what I think will be a very unfair distribution of revenue to the provinces and I think it will create a great many anomalies and discrepancies.

The minister has mentioned the province of Saskatchewan. He said he is very pleased that Saskatchewan is a "have" province. If he took the trouble to look at the figures he would find that Saskatchewan has been a "have" province for a great many years. Saskatchewan's per capita income has been above the national average for a long time. He would also find that the resource revenue which is coming in now is coming in from potash mines and oil wells most of which were established prior to 1964. So the situation which faces Saskatchewan today is not much different from what it was when the present agreement was signed. The only difference is that, first of all, resource development is now being included, whereas in previous agreements prior to the one now in effect resource development was not included, and I do not think it should be. Second, while Saskatchewan's resource revenue is increasing as potash mines come into production, no account is taken of the fact that the province of Saskatchewan has had to spend very large sums of money in order to get this revenue.

The minister is going to give to Saskatchewan and also to Prince Edward Island, if I remember correctly, a sort of guaranteed equalization grant which will help them to phase out this situation. However, I do not think that is the answer. The fact that Saskatchewan is going to get some $8 million less out of this formula than it got out of previous formulae is not so much because Saskatchewan is a great deal better off financially but because it is dealing with a Minister of Finance who has changed the rules of the game. The formula he is now imposing upon the provinces is one which is designed to work against those provinces which have spent large sums of money in order to get resource development, and no account is being taken of the sums of money which they have spent for that purpose.

I close by saying that I hope that before we get into committee of the whole the Minister of Finance will give us some of the figures which I understand have been compiled by the tax structure committee. I referred to this matter when the resolution was before the house the other day. I want to ask the minister if the tax structure committee made an estimate which showed that, on the basis of an annual increase in the gross national product of some 7 per cent, by 1972 the federal government will have a surplus of $727 million and the municipalities and the provinces will have a deficit of some $2,100 million.

I also want to know whether on the basis of a 6 per cent annual growth in the gross national product the federal government will still have a surplus by 1972 and the provinces and municipalities will have an estimated deficit of $2,100 millions. It is important that we have this information because I think that we in the house have to be concerned about what this agreement will do for the provinces and municipalities. The provinces and municipalities have to provide certain services. They are the only bodies which have the constitutional authority to provide such services as education, health and welfare and municipal services such as water, sewers, etc. If they are not able to provide those services, then irrespective of whether or not the federal government has a surplus the people of Canada will have a low standard of

life and young people of Canada will be deprived of educational opportunities and opportunities for good health, adequate hospital facilities and the other things which are required. I think that the minister should give us that information.

This house must be concerned about what this very rigid agreement is going to do to the provinces and the municipalities and to what extent it will limit their capacity to provide the services which they are required to provide. If over the course of the next five years the municipalities and provincial governments have to curtail services, then it means that the people of Canada are going to have a lower standard of living. I say to the minister that with the Carter report having just come out and with the whole question of taxation being considered he might be well advised to look into the possibility of a shorter term for these agreements. I must confess that I am seriously worried about a five-year agreement formulated on the basis of a tax structure that the Carter report has shown to be markedly inequitable. If this agreement is imposed on the provinces for the next five years, the fiscal changes which will be necessary in this country will not benefit them to the extent that they ought.

• (6:00 p.m.)

I see you are going to call it six o'clock, Mr. Speaker, and I have completed my remarks. I simply want to ask the minister whether, when we come to the committee stage, he will give us some of the information that has been collected by the tax structure committee.

[*Translation*]

PROCEEDINGS ON ADJOURNMENT MOTION

SUBJECT MATTER OF QUESTIONS TO BE DEBATED

The Acting Speaker (Mr. Richard): Order. It is my duty to inform hon. members that under provisional standing order 39A the following matters will be discussed on the adjournment debate: The hon. member for Chapleau (Mr. Laprise), R.C.M.P.—Appointment of a unilingual liaison officer at Expo '67.

[*English*]

It being six o'clock the house will now proceed to the consideration of private members' business as listed on today's order paper, namely, notices of motions (papers), private bills, public bills.

MOTIONS FOR PAPERS

CANADIAN BROADCASTING CORPORATION—PAYMENTS MADE TO JOHN T. SAYWELL AND/OR JOHN C. RICKER

Mr. Ralph Cowan (York-Humber) moved:

That an order of the house do issue for a copy of all correspondence, telegrams or other documents, dated since January 1, 1961, exchanged between the Secretary of State or any agency or department of the government of Canada relating to payments made to John T. Saywell and/or John C. Ricker by the Canadian Broadcasting Corporation, and a list setting out in detail each such payment to each such person.

He said: Mr. Speaker, in moving this motion for the production of papers which has just been read by Your Honour I would point out that I would not have had the temerity to move a motion asking for information from the Canadian Broadcasting Corporation having had many years' experience of requesting information, which requests have been met with the bland answer: "We don't give out information. Such information is not in the public interest. Such information is not divulged to parliament". They continue to ask us for money but they do not give us any information.

About two months ago Mr. Alphonse Ouimet, president of the Canadian Broadcasting Corporation, made a statement in connection with what became known as the von Thadden incident, during the course of which he made these remarks:

> This action does not mean that the corporation will abrogate its responsibility in terms of the principle of the right of the Canadian public to information.

There, Mr. Speaker, is a flat statement if there ever was one. Mr. Ouimet said:

> This action does not mean that the corporation will abrogate its responsibility in terms of the principle of the right of the Canadian public to information.

For the past 30 years or even longer the C.B.C. has been telling all questioners: "We cannot give that kind of information. It is not in the public interest. Such information is not divulged." But here is Mr. Ouimet, with big, mouth-filling words, coming down flat footedly on the side of truth and making the statement:

> This action does not mean that the corporation will abrogate its responsibility in terms of the principle of the right of the Canadian public to information.

The information that I want, Mr. Speaker, is how much money has been paid by the C.B.C. to Professor John T. Saywell and/or

John C. Ricker, another teacher in Toronto, by the Canadian Broadcasting Corporation year by year for the last five years.

I was strengthened in my expectation that there had been a tremendous volte-face by the Canadian Broadcasting Corporation as outlined by Mr. Ouimet in his press release of January 16, 1967, because Secretary of State (Miss LaMarsh), who answers in parliament for the C.B.C. and, as I have pointed out before, in fact does not make any answer but just represents the C.B.C. in the house, in commenting on the von Thadden incident had this to say. You will recall, Mr. Speaker, that there was an outcry against the C.B.C. for spending the Canadian public's money bringing this man to this country, and as reported at page 11819 of *Hansard* the Secretary of State stated:

> But there is the principle of respecting the right of the Canadian people to know what is current in the world—

If there is the principle of respecting the right of the Canadian people to know what is current in the world, I should like to know how much money has been paid to Professor John T. Saywell and John C. Ricker; and I think that I am looking for information to which the public is entitled because it is taxpayers' money that is being put into the pockets of these two gentlemen.

Picking this incident concerning Mr. Saywell and Mr. Ricker as the peg on which to hang my motion, Mr. Speaker, in view of these two flatfooted statements by Mr. Ouimet and the Secretary of State in which I presume we are supposed to place some reliance, even though it may be falsely placed, my interest in ascertaining how much money has been paid to Messrs. Saywell and Ricker has been triggered by the fact that in a book jointly authored by the two of them entitled "Nation and Province" which has been circulated among the schools of Ontario by the Ontario department of education there were some very sharp attacks on the printed word.

I have been engaged in the publishing world for 40 years and have a very high respect for Canadian publishers. Messrs. Saywell and Ricker collected money from the C.B.C. by expressing opinions from time to time, many of which have no doubt come to the attention of hon. members. However, in their book "Nation and Province", under the heading of "Parliament and the Press" they go out of their way to point out that there are some dangerous tendencies in the world of the printed press, one being a dangerous

tendency toward centralization. This book was published about eight years ago, Mr. Speaker, and perhaps one reason the federal government is leaning toward decentralization more than ever before is that Messrs. Saywell and Ricker have referred to the dangerous tendency toward centralization.

Let me repeat what I said in this house on February 10. Who says that centralization is dangerous, Mr. Speaker? In the publishing world in Canada more and more publications are joining what are known as the great chains. Those of us who have had experience in the publishing world in Canada cannot see that there is a dangerous tendency in that regard. Many of these publications would not be in existence today had they not sold out to a chain operator, as a result of which they get the economies of mass buying and come under the brilliant management of people who are, without question, first class operators. As a result a publication that singly might have foundered is now able to continue profitably under chain operation.

Messrs. Saywell and Ricker make reference in their book not only to the dangerous tendency toward centralization but also talk about whether people can believe the news which is published in our papers. The interesting thing is that they praise the Canadian Broadcasting Corporation. They point out that newspapers may well be reluctant to print news or opinions which could have an adverse effect on advertising interests.

I should like to ask Professor Saywell and Mr. Ricker for their comments with regard to some newspapers I could name that are owned by very large corporation which are among the biggest advertisers in the whole Dominion of Canada. I think in particular of one paper owned and controlled by the largest advertiser in Canada, about which Professor Saywell and Mr. Ricker might tell us you cannot believe a word this publication prints because its ownership rests in the hands of an advertiser. But, Mr. Speaker, this does not automatically make you a liar, or open to criticism, or convict you of being unable to tell the truth. I submit that the statement of Messrs. Saywell and Ricker is absolutely uncalled for.

• (6:10 p.m.)

But having accepted money from the Canadian Broadcasting Corporation they go on to make their case on a comparison with private newspapers and private radio stations

and on page 60 of their book, "Nation and Province", I find the following:

> The Canadian Broadcasting Corporation, owned by the government and the people of Canada, does an admirable job in keeping the public informed on events in parliament; being the servant of public rather than private interests, its news is impartial.

This is quite an interesting statement for these gentlemen to be making. The money they have received from the C.B.C. in the past has of course, never influenced their judgment. They, of course, would be the last people in the world to extend any modicum of thanks to someone who had benefited them in a pecuniary way, such as the C.B.C.

Then we have the attack made by Knowlton Nash of the C.B.C. on August 11 in a C.B.C. broadcast against these nefarious newspaper people. I have in my hand an exact transcript of the comments made by Mr. Knowlton Nash from Washington as supplied to me by the Canadian Broadcasting Corporation itself. It does seem to me that the C.B.C. spends much of its time trying to cast reflections on United States' action in Viet Nam. If there is the slightest tittle of information they can pick up that might reflect on United States' action in Viet Nam, the C.B.C. gives it national coverage. In this statement which I hold in my hand, and which is just the way the C.B.C. gave it to me, I find the following:

> Today, one hundred United States servicemen answered a call for blood donors sent out by the hospital in Cam Tho. And teams of American and South Vietnamese doctors and nurses have been sent there to care for the injured civilians.
>
> In Washington, C.B.C. correspondent Knowlton Nash reports that authorities there are becoming concerned at the "bad press" the United States is receiving in some countries over her actions in Viet Nam.

That was the introduction, and now we have Knowlton Nash, the voice of authority, the voice of righteousness, the voice of correct opinions, saying:

> The United States has been getting increasingly alarmed lately at the somewhat less than enthusiastic support given to U.S. actions in Viet Nam by reporters in Canada, France, the United Kingdom and other countries.

The United States must be greatly upset over the fact that reporters in Canada, France and the United Kingdom do not support them.

> To try to rectify this so-called "bad press" the U.S. information service has come up with a rather traditional press agent approach. It's flying free to Saigon specially selected editors and commentators from other countries... including three Canadian newsmen.
>
> The U.S. agency says that it does not want to identify the newsmen because it says this might lessen their credibility.

This statement, of course, is being made on the C.B.C. national network by a C.B.C. employee in an effort to discredit the three newsmen who had accepted an invitation to be flown to Viet Nam to see what is going on with their own eyes so they can give an accurate report to the Canadian public. These three newsmen were later identified. I identified them in my remarks on February 10. Toward the end of his statement Mr. Knowlton Nash says:

> The *Post* says some Canadian newspapers have turned down the free trip preferring, as the C.B.C. has done, to pay their own way for their correspondents.

He refers to the C.B.C., that guardian of the truth in Canada. What about Miss Beryl Fox of the C.B.C., who went to Viet Nam to report on the situation there? The C.B.C. may have paid her way to South Viet Nam, but everybody in this chamber knows that she could not have seen anything in Viet Nam if the United States government had not made transportation available to her throughout the length and breadth of that country. She took advantage of the hospitality of the United States government and toured South Viet Nam. She comes back here and over the C.B.C. comments unfavourably on the attitudes and actions of the United States government in South Viet Nam.

If Mr. Knowlton Nash feels that the gentlemen who accepted the hospitality of the United States government and made visits to Viet Nam cannot be believed because they have accepted this hospitality, then why does he not condemn the Canadian cabinet which invites people to come here to look this country over and form an opinion about what is going on in Canada? I have in my hand a photostat record of people coming to Canada at government expense. By the way, Mr. J. Hourie, editor of the Jerusalem *Post*, is in the city of Ottawa at the present time at the expense of the Canadian government. If there is something the matter with people accepting expense paid trips across the Pacific Ocean to South Viet Nam, then is there not something the matter with the Canadian government bringing people into this country? Are we trying to influence their judgment? Does this mean that when they go back to their countries the people cannot believe them because they have been influenced by the hospitality of the Canadian government?

I have a clipping from the Ottawa *Citizen* dated February 25 which reads:

> Erik Blumenfeld, chairman of the West German Bundestag's (Parliament's) Vietnam subcommittee, will speak to the Council of Foreign Relations in New York Tuesday, it was announced Friday.
>
> He then will visit Montreal and Ottawa at the invitation of the Canadian Institute of Public Affairs.

Is the Canadian Institute of Public Affairs trying to influence this man's judgment? If they are not, why are they bringing him over here? If all these newsmen who visit South Viet Nam at the invitation of the United States government are to have their credibility called into question, then how does it come about that when the Canadian government fly C.B.C. equipment, cameramen and commentators all over this country and in many cases across oceans to distant parts of the world, the C.B.C. does not state, do not believe us; we have been influenced by the munificence of the Canadian government toward the C.B.C? If the C.B.C. believes what Knowlton Nash, a paid employee of that organization, is saying, then why does not the C.B.C. pay its own expenses in sending cameramen and commentators wherever the C.B.C. may desire instead of participating in the generosity of the Canadian government? This is certainly a case of the pot calling the kettle black. It is a two-faced attitude, if I ever saw one, to criticize men who have accepted the munificence of the United States government and then turn around and accept the generosity of the Canadian government.

I also have in my hand a clipping from the Ottawa *Citizen* dated February 4. Under a three column heading, "VIP Arrangements Under Way", there is mention of the people who are going to visit Canada during centennial year. The article is by Shirley Foley, assistant women's editor. In the article I find such phrases as, "The government's invitations have also included..."; "the provincial and federal governments will collaborate on these outside Ottawa visits in matters of security, hospitality, etc.". Then there is this phrase: "...while the Canadian government will see to their getting about within the country."

There is another article concerning the President of Zambia which appeared in the Ottawa *Journal* of November 18, 1966. The article states that the President of Zambia arrived in Ottawa after a flight from New York in a transport department Viscount. Later in the article I find this statement:

> On Saturday, he and Mr. Martin will leave by transport department aircraft for the university convocation at Windsor.

Then we have a story in the Montreal *Star* of November 17, 1966, which states that a Swedish prince is in that city. The article states that the prince flew in aboard a Canadian government Viscount from Ottawa and was taken immediately to the Expo administration building on the site of the 1967 world's fair. If it is irregular and incorrect for newsmen to accept invitations from governments to visit parts of the world where the action is, then why does the Canadian government participate in such nefarious practices by asking people to come over here at the expense of the Canadian taxpayer? Does the Canadian government expect these people to accept our hospitality and then go back and knife the host country in return? This practice has been going on for hundreds of years. People who have been anxious to create a good impression have been willing to pay money to entertain those who might be commenting on the situation.

A less interesting angle of this situation is the search for the truth which the C.B.C. recently undertook when it went to great lengths to interview an 11-year-old girl. She had written a piece of poetry which appeared in a United States magazine. The poem attacked the United States action in Viet Nam. This is a religious publication which printed it. It is a small publication and this was a small contest. I said a little while ago that if the C.B.C. could find some way of attacking the actions of the United States government in South Viet Nam it would go to any lengths to do so. This is a perfect example of that. They send interviewers down to interview a little girl and reproduce this poem. However, the ideas of an 11-year-old girl on the United States government's interference in Viet Nam are not of much importance to the people of Canada. But that does not bother the C.B.C. It is the Canadian taxpayers' money they are squandering, and they are going to give the opinion of an 11-year-old girl on this affair. Why in Heaven's name cannot the C.B.C. spend its money to get the opinions of people who are knowledgeable on the subject instead of interviewing 11-year-old children?

• (6:20 p.m.)

We have three members of this House of Commons who are at this moment touring Taiwan, South Viet Nam, Indonesia and the Malay States at the expense of the governments of those countries. When they return, are we to say to them that their words cannot be believed or taken at face value because they have been influenced by the generosity

of their hosts—brainwashed by the host countries? This is what has been said of three newsmen who were attacked and held up to public ridicule by Mr. Knowlton Nash in that broadcast on August 11. I sincerely hope the C.B.C. will produce the information for which I asked so that you and I will be able to judge just how impartial are the opinions of the news commentators of the corporation.

I have a C.B.C. list of more than 80 newspapermen who have been paid to broadcast on C.B.C. programs such as "Pre-view", "Viewpoint" and the six o'clock news. Do you think the C.B.C. uses newsmen because the corporation has a high regard for them? Far from it. Mr. Stanley Burke, the gorgeous anchorman on the C.B.C. national television news, speaking in Toronto on March 2 at a reorganization meeting of the Sigma Delta Chi fraternity, said in the course of comments to a group of newsmen that the primary concern of the new operation was to develop an organization which would enable the C.B.C. to go after its own news rather than rehash news provided through the print media. Burke told us what he thinks of the news provided by the news media. So why do they have these newsmen appearing all the time on C.B.C. radio and television stations if they have such an opinion of the work they are doing? The answer is that they do so in order that these men will be favourably disposed toward the C.B.C. and that, as they write for the papers which employ them, they will make laudatory references to the corporation commending it for its noble work and on the vast undertaking which it is operating.

If anybody was ever paid money to get a favourable opinion it is certainly the newspapermen whose names the C.B.C. has on lists which are interminably long. But why does the C.B.C. turn around and attack Canadian newspapermen of the utmost reputation? Of the three, I have known two of them for many years and I have no hesitation about believing anything they write. When the Secretary of State makes the statement that there is a principle here which involves respect for the right of the Canadian people to know what is going on currently in the world, and when Mr. Alphonse Ouimet in connection with the von Thadden incident passes the remark that the principle of the public's right to information was involved—this was why they were going to bring the German here before they changed their minds—let me say that I too have a right to some information. There is something I want to know and it is: How much has been paid to Messrs. Saywell and Ricker who have made these commendatory statements about the C.B.C.'s service while giving the back of their hand to the established print media which have been in business in this country for over 150 years?

Of course, there is no connection between the money they received and the laudatory things they said about the C.B.C. But I believe that as a matter of record we should know how much was paid to them and then we shall know just how impartial is the judgment of these men. Hon. members may be interested to know that the Ontario Department of Education has withdrawn the book from the schools of Ontario because of the bias shown by one medium of communication against the print media.

The Acting Speaker (Mr. Richard): Order. I regret to advise the hon. member that his time has expired.

Some hon. Members: Go on.

The Acting Speaker (Mr. Richard): By leave, the hon. member may continue.

Mr. Cowan: I wish to thank the house for giving unanimous consent in this regard. I had almost finished my remarks.

In speaking of impartial news coverage—and I have made reference to the von Thadden incident—I hope I may be allowed to comment on a story which appeared in the Montreal *Gazette* of yesterday where it was reported that a young man in Rockford, Illinois has been accused of double murder. I know that the C.B.C will be bringing him to Canada to go on the program, "Sunday". He must be a famous man or he would not have shot two boys of 14 or 15. It has just come out that last week he was acquitted of having shot a 15-year-old boy, though he did not kill him. I sincerely hope that when the C.B.C brings this person up here they will provide him with a return ticket because I would not want this fellow, who has just been acquitted of shooting one young lad and who is now charged with the murder of two others, to come here with a one-way ticket and get lost among the draft dodgers who are now residing in this country.

Mr. Arnold Peters (Timiskaming): Mr. Speaker, I am of the opinion that many of the requests to the Canadian Broadcasting Corporation for information should be given favourable consideration. I believe that much of the misunderstanding which occurs could

be eliminated if we knew just how the corporation operates. Like many other people I have been shocked about some of the things which the C.B.C has done and I regret that it has been so difficult to get information from the corporation.

I am of the opinion that the broadcasting committee should have recommended the disposal by any means possible—retirement, promotion, or what have you—of the old strata in the C.B.C. who we found on investigation serve no function at all. They were a little like the Senators in the other place. After a politician has outworn his usefulness it is nice to have a place in which to put him. The C.B.C. has a large selection of vice presidents who might be placed in that category. Inefficiency at this level is marked, and this may be connected with the reluctance to give information which might shed light on some of the things which happen in the C.B.C.

The hon. member who has moved this motion for the production of correspondence has told us he is not particularly interested in learning the amounts of money paid to these two gentlemen. Frankly, I do not know either one of them. I think the hon. member has probably moved this motion in order to call attention to the unwillingness of top management of the C.B.C to co-operate by complying with very simple requests which do not seem to be unreasonable or even, in some cases, to contain much merit.

The C.B.C in refusing to table this type of document puts on the type of halo that it does not deserve. It is necessary for members of parliament who are particularly interested in the C.B.C to speak out about some of the abuses which the corporation perpetrates or there will be a lot of people who will say, "To hell with the C.B.C."

I am sure those who watched the coverage of the funeral ceremonies yesterday were proud of the job the corporation did on that occasion.

Some hon. Members: Hear, hear.

Mr. Peters: I think it could not have been done nearly as well by any other agency. Part of the reason they were able to make such a good showing is, no doubt, the range and variety of equipment available as a result of the money placed by parliament at the corporation's disposal.

• (6:30 p.m.)

We have provided the C.B.C. with facilities. That being the case, how is it that with respect to northern Ontario, where sports are very important, the C.B.C. is quite willing, openly and without bias or charge to provide the other networks with full coverage of a national event such as that which took place yesterday, but when C.T.V. buys the coverage rights for sports it will not allow that coverage to be carried by the C.B.C. to areas the C.T.V. cannot cover, on either a gratuity or exchange basis? This means that all those areas beyond the fringe of C.T.V. coverage are prevented from receiving national coverage of events such as—

Mr. Speaker: Order, please. I have to interrupt the hon. member. The subject which he is discussing now may be very warm and close to his heart but I see no possible link between what he is advancing and the motion before the house. Unfortunately I was not in the chair and privileged to hear the remarks of the hon. member for York-Humber (Mr. Cowan), and so I must assume that with his usual respect for the rules he limited his remarks to the motion before the house. The hon. member for Timiskaming (Mr. Peters) knows what the limits are and he should restrict his comments to the very limited point concerning the advisability of tabling certain documents, that is whether certain documents specified in the motion proposed by the hon. member for York-Humber should be tabled or not. Certainly that has nothing to do with C.B.C. coverage in northern Ontario.

Mr. Peters: Mr. Speaker, I am glad you were able to ascertain that from the remarks made by the hon. member. I certainly was not, and I am not in a position to tell you whether these two newspapermen were not covering sports. However, I agree the debate may have extended beyond the terms of the motion and therefore I will return to it.

The motion refers specifically to two members of the press who did some work for the C.B.C. As I say, I am not prepared to state whether or not this was in the field of sports. Obviously Foster Hewitt was not involved, but I am not sure what these men did. However, I do not think the point I was trying to make is unrelated. My point was that no matter what correspondence is sought it is always considered to be privileged.

I only wish you, Mr. Speaker, had the opportunity of listening to the questioning of C.B.C. officials every time we raised matters concerning salaries and stipends paid to people working for that organization. In no case was the information given graciously or gratuitously; it was always obtained by circumvention.

When discussing this motion we must consider something else which has happened in the C.B.C. and which is not to our advantage or in the national interest. I refer to the hiring of newspaper people to do some of the jobs previously done by well known news commentators. We now have on television a new news format, introduced by people like Mr. Saywell and Mr. Ricker, dramatizing the news, leading to particular segments of news being picked out and linked together. Competition being what it is, and the C.T.V. having developed this type of format, the C.B.C. had to follow suit. We no longer see Mr. Cameron broadcasting the news in a matter of fact, factual manner. We see the dramatization of news, and this format eliminates anything that is not dramatic, and leads to the introduction of outside press people.

Because of this it is important that we know how much these people are paid because I think, due to the dramatization of the news, we are being misled in many cases. If public funds are being spent to pay these people, and if thousands of dollars are spent for short excerpts involving outside camera crews in order to dramatize certain aspects of the news, then I think it would be in the interests of the C.B.C. to make such information available and to table the correspondence that is sought in the motion before the house. But if it does table that correspondence it will lead to demands for more correspondence of this sort; everyone will want to know what everyone else, hired on an ad hoc basis, is paid.

This may lead members of parliament to say, when watching news on television, "If he got $20, that is too much." On the other hand if somebody else got $40 they may say it was probably a reasonable amount. We may say that Mr. Lynch is worth $100 an appearance on C.B.C. news and Mr. Saywell worth only $40, at which rate he may be overpaid or underpaid, depending on our own opinions. If the C.B.C. is not willing to give the general public some knowledge about its operations, then it can expect nothing but criticism for hiding behind a smokescreen of civil service bureaucracy, something which is not in the interests of the public. If the C.B.C. is not willing to give this information, then the Secretary of State (Miss LaMarsh) should be prepared to come into this house and give good reason why the information cannot be made available.

I agree that in some cases it may not be proper to provide such information, but when someone does a piece of work in the news field—and obviously newspapermen are well suited to that field—we should have enough information to form a pretty good idea of whether or not we are getting value for our money for the work being done. I am violently opposed to the practice of the C.B.C. having a list of newspapermen and calling on each one in turn to present his viewpoint. This is not in the interests of good broadcasting and is one of the reasons why C.B.C. programming has reached the stage where I am receiving many letters objecting to its news coverage.

• (6:40 p.m.)

At present I am getting many letters objecting to the C.B.C.'s mediocre public affairs program, "Sunday", which obviously is not keeping up with its competition on the other channels. I am surprised when, every time we raise a matter about the C.B.C., there is this hue and cry that it is a sacred cow about which there cannot be any discussion. I think it would do the C.B.C. a lot of good if it were more frank with members of parliament and the public in general. They should pay some attention to suggestions and criticisms. No matter who we are as individuals we will not like everything they do. They might hire Mr. Saywell whom I may like and Mr. Ricker whom I may not like. If, however, we should think that both these gentlemen are unacceptable or that their work is mediocre, we should have some way to indicate our disapproval or, if we approve of them, our approval. I do not think we should be placed in the position of having power to make a decision in these matters, but I do think a great deal more information could be provided by the minister.

It is time we changed the system by which the C.B.C reports to the house through the minister. I believe the minister should have more authority as to what she can demand they produce and what cannot be demanded. I do not see much difference between the situation of the C.B.C. in the production of this type of correspondence, and that of the Canadian National Railways when they are asked to produce correspondence. Very often when an individual member has a request of this nature he takes it to the minister who, in very strong language I presume, refers it to the Canadian National Railways. The minister in turn receives a reply which he then gives in the house to the member who asked the

question. This is not what is being done with the C.B.C. It seems to me that this is one of the weaknesses we should try to strengthen.

I should like to see in C.B.C. television the vibrant influence it has always been in radio. This has not been accomplished. One reason is that we pay out too much money for mediocrity to the people we hire. If some of these accounts were produced the public might be in a position to judge whether or not we are paying too much for mediocrity. I think on the other hand we might be surprised also to learn how much we sometimes receive for a very limited payment. It might balance out. I am not suggesting it will be all one way or all the other. I believe that if more information is provided by the C.B.C. the people will be able to get closer to its operations. With the result that the C.B.C. would operate more on our behalf.

Mr. J. B. Stewart (Antigonish - Guysborough): Would the hon. gentleman permit a question? I do not ask this question to imply that I disagree with what the hon. member has said, but simply to ensure that he does not "have it both ways" too easily. He suggested the minister should be fully responsible in the house for the operation of the Canadian Broadcasting Corporation in a manner comparable to that of a minister answering for a department. I am wondering whether he would be willing to go that far. Some people are willing to go so far as to make the Canadian Broadcasting Corporation an integral part of one of the departments of government. Is the hon. member proposing that?

Mr. Peters: No. I am very pleased that that question has been asked. I am absolutely opposed to the C.B.C. becoming a department of government. I used the example of the Minister of Transport reporting on behalf of the Canadian National Railways, because I see a similarity between that operation of a crown corporation and the operation of the C.B.C. as a crown corporation. There is however a vast difference when a question is asked concerning the C.B.C. To my knowledge the minister has never been able to come back with an answer which provides any detail concerning her discussion with the C.B.C. management.

I believe there is correspondence in the possession of the C.B.C. which they do not wish to have presented. When there is a good reason for that position, I think it should be honoured. On the other hand there is much information members might ask questions about, not as to the running of programs but as to how much money is paid for a certain type of program. I would presume that such information is available to ACTRA, and that everyone who participates in the programs, whether in the C.B.C. or in C.T.V., can ascertain the range of rates paid, while we as members of parliament when asking for this kind of information receive a blanket refusal.

I presume the government will talk out this motion, even if it takes two and a half hours, rather than have these particular documents relating to two individuals presented. I think the reason the question has been asked is so that the government can refuse and therefore discredit the operations of the C.B.C. I may be unfair in this, but I think these two particular men are incidental. They should not be. This is a reasonable request which should be conveyed to the C.B.C. by the minister who speaks for the C.B.C., with the suggestion that she sees no objection to these figures being presented and advising them that unless they have a damned good reason they should provide the information.

Mr. Speaker: Order, please. Before I allow the parliamentary secretary to ask a question of the hon. member, I should like to bring to his attention the fact that his time has expired. However, by consent a question might be asked and a reply given.

Some hon. Members: Agreed.

Mr. Stewart: Mr. Speaker, I will make my question very short. I should like to ask the hon. gentleman what he would say if he, as Secretary of State, went to the corporation and put to it the questions embodied in the resolution put forward now by the hon. member, and was told—I am not pretending to quote—that, "Really, this is not your business. We have not been asked in the past to give that type of information and do not intend to give it now". What would the hon. gentleman say beyond certain strong but empty words? How would he propose to go about producing the results he desired?

Mr. Peters: I would think the answer is very simple. I would use those strong words with the corporation. I think we would have a very serious heart to heart discussion about the operations of the C.B.C. and when I came back to parliament I would be quite prepared to say just that; that is, that the corporation told me it was none of my business and that it is none of our business. I believe that if this kind of answer were given firmly to parliament, we would see an end of this business

and we would have a very different type of operation in the C.B.C. than we now have. It seems to me that this really is what the C.B.C. is now saying to the minister and the minister, being a lady, is too polite to come back and tell us this. I do not think it is in the interest of the C.B.C. for it to act in this way. I take it from the fact that the minister is not here that her personal argument is not the corporation's argument, and she does not wish to say just that. She does not wish to say they have told her it is none of her business. Because of the fact that there has not been a legitimate answer given at any time to any of these questions I think parliament might as well be told that this is the attitude of the C.B.C. In this way we might have a closer relationship between members of parliament and the minister, in her role as the minister who speaks for the C.B.C.

Mr. Keith Hymmen (Waterloo North): Mr. Speaker, in opposing this motion I do so for a very good reason. Before I come to that, however—

Mr. Speaker: Order, please. I am wondering whether I was in order in recognizing the hon. member for Waterloo North (Mr. Hymmen). I was not in the chair earlier this evening. I did not realize that the hon. member was speaking after another member of his own party already had taken part in this debate. If the hon. member for Waterloo North will allow me to look in the other direction, I should now like to recognize the hon. member for Oxford (Mr. Nesbitt).

• (6:50 p.m.)

Mr. W. B. Nesbitt (Oxford): Mr. Speaker, I very much appreciate your courtesy and that of the hon. member for Waterloo North (Mr. Hymmen). There is very little time left for either of us to make many observations, and perhaps on another occasion that hon. member will have a better opportunity to express his position. I also hope I will have another opportunity to elaborate on this subject at greater length.

In the very few minutes left at my disposal I should like to say that I support the motion of the hon. member for York-Humber (Mr. Cowan). He has brought out a very important principle which we all must consider carefully. The "I's" were dotted and the "T's" were crossed as a result of the question posed to the hon. member for Timiskaming (Mr. Peters) by the parliamentary secretary to the Minister of Public Works (Mr. Stewart).

What are we to do about these emanations of parliament or, as someone perhaps more aptly called them, these creatures of parliament which refuse to answer questions or give information? I refer not only to the C.B.C. but also to the Civil Service Commission and the Unemployment Insurance Commission. The remarks I intend to make apply equally to the others.

These creatures of parliament as the hon. member for Timiskaming suggested, have almost become sacred cows whose activities cannot be questioned by members of this house. In fact any member who tries to do so is considered "far out" or naughty. These organizations have been very careful through their propaganda to make sure they do not fall under the control of parliament. They are financed by the taxpayers, but apparently no one outside those organizations has any control over them.

While I agree that there must be special limitations in control over these creations, and while I do not have time to go into that aspect of the matter, the situation now is that they are not responsible to the public and not responsible to this house. More and more of these creations are being established and I think hon. members ought to examine very carefully into whether these creatures should be allowed to go off on their own, without any de facto control.

Many people argue that there should not be any political influence in the C.B.C., so as to prevent its becoming a government mouthpiece. I think all hon. members will agree with that theory. We do not want political control and interference from within the C.B.C. itself. However, apparently this is what has happened, particularly in view of the extreme bias shown by this organization in reporting news items. Again I have not sufficient time to go into details and will reserve the right to do so on another occasion.

I suggest the same situation applies in respect of the Civil Service Commission. It has been said that we should not have political interference in the appointment of officials and that we do not want political patronage, but I am sure most hon. members will agree there are all sorts of devices used within the civil service for exactly that purpose. No one who has been around here for any length of time could be ignorant of the fact that there does exist a special kind of patronage within the commission. For example it is curious to find that very often qualifications set up to cover created positions fit to a remarkable

degree certain individuals lined up for those positions.

Hon. members must decide sooner or later the degree of control that should be exercised by the house over organizations which have become complete entities unto themselves. I agree there must be some limitation of parliamentary control, but the situation at the moment is highly unsatisfactory.

The hon. member for York-Humber is asking for some simple information which could not possibly prejudice the financial activities of the C.B.C. in competition with the C.T.V., but the corporation has refused to provide that information. I suggest there is no sound reason for such refusal and that the C.B.C. has refused because it is afraid of setting a precedent. This organization does not wish to give information on any subject.

I am reminded of a situation which existed when a former member for Témiscouata, now in the other place, used to ask a former president of the Canadian National Railways how much was being paid for charcoal and fence posts. The president of the railways used to turn purple in the face and tell the hon. member that it was none of his business. But that former member was very shrewd and somehow always managed to get the information.

Unfortunately few of the members of this house have had the opportunity in recent years of examining the spending estimates of the Canadian Broadcasting Corporation. For some reason or another they have always been brought forward at the end of our discussion on estimates, on the last day of a session or when the time has run out. We have not had the opportunity recently for any examination in the house of C.B.C expenditures. While this organization and its activities have been referred to in certain committees, the great majority of us have not had the opportunity of examining its operations. Whenever we ask questions about its activities, and why they will not give us certain information, we are told by the pipe line or the mouthpiece of that organization in the house, that the disclosure would not be in the public interest. We should like to know why this would not be in the public interest.

Mr. Speaker: Order, please. The hour appointed for the consideration of private members business has now expired.

Pursuant to special order of the house adopted on Friday, March 3, the sitting stands suspended until eight o'clock.

SITTING SUSPENDED

[Mr. Nesbitt.]

SITTING RESUMED

The house resumed at 8 p.m.

FINANCE

PROVISION FOR FEDERAL PAYMENTS TO PROVINCES

The house resumed consideration of the motion of Mr. Sharp for the second reading of Bill No. C-277, to authorize the making of certain fiscal payments to provinces, to authorize the entry into tax collection agreements with provinces, and to amend the Established Programs (Interim Arrangements) Act.

Mr. E. Nasserden (Rosthern): Mr. Speaker, in rising to say a few words on the measure before us I want first of all to assure the Minister of Finance (Mr. Sharp) that he should not be too quick to take too seriously all the things said by the Premier of Saskatchewan. It is a well known fact that the Premier of Saskatchewan makes some extravagant statements, and during the past two years, in trying to build up an image in our province, throughout Canada and indeed throughout North America he has found occasion to make some claims regarding the situation in the province of Saskatchewan that are exaggerated to say the least. I should also like to refer to the fact that the premier of our province has described the deal that he received at the hands of the Minister of Finance as a dirty deal, in so far as concerns the equalization that would come to my province.

In dealing with the situation with regard to the resource industries in a province I should like to point out that Saskatchewan at the present time is particularly interested in potash, the effects of this industry and the revenues derived therefrom. I believe this resource contributed in some degree to the decision taken by the minister in arriving at the formula, so far as concerns the phasing out of the equalization grants for Saskatchewan. While these industries are desirable for a province and increase the revenue of the country, they are not all gravy as far as the province and municipalities are concerned.

For this reason I wish the minister had taken into consideration the situation of the municipalities in this whole context when the government tried to arrive at a formula for the provinces. In this connection, Mr. Speaker, I should like to read part of an article which appeared in "The Rural Councillor", a municipal magazine in the province of Sas-

katchewan. The article deals with the problems concerning the development of potash. This is what appears in volume 2, the issue of March, 1967, of that magazine:

> Fertile Belt, in which is located Esterhazy, the only large residential centre near the mines—

That is, the potash mines.

> —claims that 80 per cent of the miners "either live in our (rural municipality) or drive through it." The R.M. is "building and maintaining roads and not getting any revenue to offset the extra costs involved." This situation prevails in the other two R.M.s. Miners travel for miles in every direction, some crossing two or three municipalities, twice a day. Many farmers and their sons work in the mines and expect good, snow-free roads on which to get to and from work.
>
> One of its special problems has been overweight trucks hauling crushed rock.

As a result, the traffic counts on these roads has increased. Another feature that has emerged as a result of this development in our province has been the expense of snow removal. The particular municipality referred to in the article which I have read had to have three large graders, which represented a total investment of approximately $100,000, available in the winter for snow removal. This article goes on to indicate that the cost of snow removal might be reduced if the roads were built up to a higher standard. This raises the situation a province faces in regard to the demands from municipalities for assistance in building the roads necessary for resource development. The article goes on to say that some of the roads they have built were used very little, but now are classified as good roads.

• (8:10 p.m.)

The other problem that has faced the provinces and municipalities is the critical lack of housing in potash mining areas in Saskatchewan. The federal government's program is almost totally unsuitable to provide the assistance required, and as a result people are forced to use the roads more than they would normally use them. I wanted to bring that to the attention of the minister, because in light of the resource development which has taken place over the long-term period, when one considers the population of that province in relation to the bill now before us it would almost seem that the government has decided to discriminate against those provinces that are trying to develop the natural resources of our country. This is a very poor policy for the federal government of Canada to be following at a time when the high standard of living which Canadians expect demands a greater development of our resources to sustain the increased costs that have to be met.

This measure incites an opting out mentality that has been one of the earmarks of this government. It has forgotten the old premise of payment on the basis of need, and the need for uniformity across Canada in many of the programs that are being undertaken. I want to say a few words about the need for uniformity across Canada and I hope the minister will listen to me. There is a great deal of talk about national unity in this centennial year. If we cannot give to Canadians in every part of this nation a greater measure of equity we will not be able to achieve as quickly the spirit of unity which I am sure all members of the house would like to see.

I will not say any more on this subject. I just want to remind the minister that sometimes the extravagant statements made by provincial premiers should be taken with a grain of salt. There are many people in Saskatchewan who believe that that is what the minister would be well advised to do.

Mr. J. E. Pascoe (Moose Jaw-Lake Centre): Mr. Speaker, I have a few remarks to make in connection with this bill. Similarly to other hon. members on this side of the house I cannot agree with the decision of the government to phase out the Technical and Vocational Training Assistance Act which was brought in by the Diefenbaker government, and with much success. I am sure it is generally recognized that the technical institutes built by the action of the former government filled a great need and provided an answer to the growing need for technical training to meet the present manpower requirements.

I have a particular interest in the future of technical institutes, the construction cost of which the former government paid from 50 to 75 per cent. There is a very fine technical institute in my city of Moose Jaw and it is filling a great need. It was officially opened by the hon. member for Ontario (Mr. Starr) who at that time was the minister of labour. The government of which he was a minister paid 50 per cent of the construction costs, and because of the demand for technical training an addition was built, 75 per cent of the construction cost of which was covered by the federal government.

I mention these facts to emphasize the importance of the Moose Jaw technical institute and the need to expand the operations there. The Secretary of State (Miss LaMarsh), as reported at page 13689 of *Hansard*, speaking

about federal help in post-secondary education adjustment payments, said:

> The central concept in this plan is that the fiscal transfers will be calculated in relation to post-secondary operating expenditures only. The federal government considers this the only satisfactory measuring stick of rising education costs, and is prepared to increase its future transfers by the rate of increase in these costs. I must stress, however, that it is the province which determines upon the allocation of these funds, and it will have to do so in the light of both the operating and capital requirements of post-secondary institutions. The funds transferred are calculated in relation to operating expenditures, but are intended for use in both the operating and capital areas.

I want to emphasize the last part of the statement in which the Secretary of State said that the grants are intended for use in both the operating and capital areas.

I see a danger in handing the complete administration of these funds to the provincial government. With a provincial election coming in the very near future and with a $7 million grant in the next fiscal year I believe there is a danger that the provincial government may decide to use this federal grant for the purpose of building another technical institute in some other city. This is what I am concerned about. It is important for the federal government to protect its interests in the institutes it has already helped to build, rather than risk the danger of the money being spent on new buildings not required at this time. It is much more important to make the best use of the technical institute at Moose Jaw and the one in Saskatoon, and to use any additional money on the continuation and expansion of the technical training there which, as I have said before, has met a great demand, and for which I can see a great need in the days ahead.

• (8:20 p.m.)

If I may, Mr. Speaker, there is one other point I should like to put before the Minister of Finance in connection with this bill. In clause 5(3) at page 2 of the bill reference is made to a basic estate tax. As we all know, 75 per cent of this tax is paid to the provincial governments.

Mr. Speaker: Order. I hesitate to interrupt the hon. member, but as he knows, on second reading hon. members should not refer to specific clauses of a bill. I wonder whether the hon. member would not want to make this argument when we reach committee stage.

Mr. Pascoe: Thank you, Mr. Speaker; I just wanted to clear up one point in regard to

[Mr. Pascoe.]

estate tax. As I was saying, the federal government collects this tax but pays 75 per cent of it to the provinces. According to the 1966-67 allocation of estate and succession duties the share of estate tax paid to the provincial governments amounts to $2,652,000.

My point is this: I understand that the government of Alberta have stated that they wish to renounce their share of this estate tax, and the government of Saskatchewan have also indicated that they will do the same. Therefore, Mr. Speaker, I should like to ask the minister whether, if the government of Saskatchewan do renounce their 75 per cent share of the estate tax, the whole of the estate tax will be collected anyway, or what arrangement might be made in this regard. I hope the minister can explain this to my satisfaction at some time.

[*Translation*]

Mr. C.-A. Gauthier (Roberval): Mr. Speaker, on second reading of Bill No. C-277, I will not say much since the minister is well aware of what Quebec members think of the equalization payments and particularly of this act entitled:

> An act to authorize the making of certain fiscal payments to provinces, to authorize the entry into tax collection agreements with provinces, and to amend the Established Programs (Interim Arrangements) Act.

What strikes me in all that, is the two words before last, "Interim Arrangements", because we are still hoping in Quebec that all those agreements, all the present arrangements, all those meetings with the provinces are of an interim nature only and that Quebec will one day win back what the constitution has guaranteed her since 1867, namely the recovery of her three taxation fields.

Of course, we cannot object now to the small share which is given us because we realize—and I want to point that out, here, to the minister—that the federal government is taking the lion's share and leaving to the provinces the hare's share. It has the cake and when it has taken its share, it remembers the provinces and gives them the crumbs. Every day we find that the federal government cuts largely into that cake, it makes fabulous and exorbitant expenses and even reaches the end of certain quarters with surpluses. And yet, it is always seeking new taxation fields.

This afternoon I listened to the hon. member for Burnaby-Coquitlam (Mr. Douglas) quote the amounts of equalization payments some provinces would receive. The minister

had said before that four provinces would not benefit from equalization because they were too rich. If I were a citizen of those provinces, there would be no advantage for me to commend the minister's words, although the hon. member for Burnaby-Coquitlam suggested, without saying so specifically, that Quebec enjoys a special status by getting $235 million in equalization payments.

I suggest that what he forgot to mention, or what he did not want to mention, is that Quebec alone has as many people as the other five provinces together. When speaking of equalization, we should not compare Quebec with Newfoundland, Nova Scotia or New Brunswick. At this stage, I should like to call the attention of the house to the fact that the population of New Brunswick, Newfoundland, Nova Scotia, Prince Edward Island and Manitoba are probably not much greater than that of the province of Quebec; these provinces will nevertheless receive a total of $215 million, whereas Quebec will get $235 million. One must not forget that although the province of Quebec will receive this amount, it has been taxed according to population, since taxes are always proportionate to population.

When all comes to all—this is why I said a while ago that we are only getting bits and pieces—when we look at the money the federal government takes out of the province of Quebec and the money returned, having picked up billions of dollars in this province, I assure you, Mr. Speaker, that there is no reason to jump for joy. However, we could go on talking for hours on end and it would serve no purpose, since talking to the hon. member is like talking to solid rock: he merely smiles. I do not know whether he is laughing at us, or if he always sports such a wide smile. I am under the impression that our speeches are not being heard; however, we are waiting for the government of our province to take action, to demand what belongs to the province as a matter of right.

I should like to state here, in this house, that if the Quebec government wants more autonomy, it must make the first move. It should not wait until Ottawa takes action because every time this happened, Ottawa took advantage of the opportunity to penetrate more deeply into our fields of taxation. It is therefore up to the hon. premier of the province of Quebec, it is up to the Quebec government to make a stand, to demand that the federal government respect its rights and put a stop to this procrastinating. We want him to mind his business here and let us collect our taxes in the province. We are old enough to collect our taxes. It seems to me we would be relieving him of this great burden resting on his shoulders. He says himself it is a tremendous burden and we want to relieve him of it. Let him simply give us the right devolved upon us by the constitution to collect our taxes and we shall administer our own affairs with our taxes.

This year, 75 per cent of succession duties will be returned to the provinces. As for personal and corporate income taxes, I hope that the minister will at least add a certain percentage each year, so that in two or three years, all succession duties and all personal and corporate income taxes will be returned to the provinces. I feel that the federal government and the hon. minister would avoid a big headache if they put a stop to this practice which consists in levying taxes in provinces and then returning their money by means of various payments. The minister says that he is returning the product of the tax to the province. Well, if he is returning the product of the tax, why go to all the trouble of taxing the province in the first place? Why not leave these taxes to the provinces? We simply want to lighten the burden of the hon. Minister of Finance.

If the other provinces want to do otherwise, they are free to do so, but if we want to relieve the federal government a little, if we want to reduce its work and, especially, alleviate the burden of this double administration, often the cause of financial troubles and misunderstandings on the administrative level, I do not see why the government does not accept our suggestion.

• (8:30 p.m.)

For instance, we now have financial assistance for higher education in Quebec. Mr. Speaker, we accept proper federal assistance —that is the only thing we can do—but we are now wondering who should implement federal-provincial agreements in the field of education, whether it should be the province or the federal government.

In my district, there is almost a quarrel over the matter. In the end, everyone wants to do it, but no one does. But those who are entrusted with that education get salaries though. Many a misunderstanding would be done away with if, once and for all, the matter were settled. If the federal government wants to pay 50, 75 or even 80 per cent of those courses, it should pay the amount to the provinces and let them implement those

schemes; otherwise, if it wants to implement them alone, let it say so.

Again last week, a group asked me which government was responsible for managing those courses. One claimed it was the provincial government, and another, the federal government. Even I did not know and if I now ask for an explanation, I do so not to find out who is really responsible. I realize today that if the federal government minded its own business and allowed the provinces to handle their own spheres of authority, everything would be much clearer. At least, we would know where we are going with all those new organizations which pop up every day.

Mr. Speaker, we will study this bill clause by clause as well as the motion for third reading in order to try, we, the members from Quebec, to recuperate the highest percentage of all those amounts and to achieve one day what every one in the province of Quebec hopes for, namely to control our three main taxation fields to be able at last to administer our own business. If the provinces which do not get any equalization payments are now considered wealthy, I say that they are provinces which looked after their own business, provinces which have levied charges, royalties on their natural resources, in short, provinces which had the nerve to stand up to financiers and tell them: You will develop our wealth but you will pay us so much. They charged royalties which would enable them to live and that is exactly what is lacking in our own province of Quebec and probably in other provinces too. That is always what happens. We should start by making the financiers pay for a right of way, pay royalties in each province and, possibly, in a few years from now, all provinces will be on the same level, each having average wealth.

Mr. J.-A. Mongrain (Trois-Rivières): Mr. Speaker, this Bill C-277 called an Act to authorize the making of certain fiscal payments to provinces, to authorize the entry into tax collection agreements with the provinces, and to amend the Established Programs (Interim Arrangements) Act, will elicit from me comments and remarks which may be different from those of most of my colleagues here since they will be based upon several years' experience in municipal affairs.

Naturally, this bill will affect our day-to-day life to a considerable degree, for we are told that the municipalities are creatures of the provinces. We recognize that, of course. But no one who is seriously concerned with public

administration today can determine or establish a clear and definite dividing line between the powers of each of the three levels of government, federal, provincial and municipal.

And I should like to have it remembered, throughout the remarks I shall make as briefly as possible, that I recognize the principle that the municipalities are legal creatures of the provincial governments. I say legal, because in other aspects, I hold other opinions. From a legal standpoint, they are creatures of the provinces but because of that very fact, they feel the effect of tax agreements between the federal government and the provinces.

Mr. Speaker, it is somewhat in that spirit that I should like to make certain remarks on Bill C-277. I, for one, believe that municipalities have been, for too many years, treated as orphans in the family, as retarded children, although they are one of the levels of government. They are, if you will, the third level of government, prestige-wise, but they are probably at the top level in terms of responsibility, considering that municipal administrations are the nearest to the people.

Always in the same spirit, Mr. Speaker, I should like to put a few questions to the minister. I have a feeling that the provinces have been consulted on those interim arrangements and I should like to know to what extent and how much they have agreed to them? Which provinces said: Wait a minute. Well, we accept this, we are ready to enter into such an agreement? Which ones rejected it formally? Which ones accepted part of it? It might be interesting to get an answer from the minister on that point. I am not asking for an answer right now, because I know he will have the opportunity to speak again, but I am under the impression that a great number of my colleagues would like to see his reaction in that respect.

I should now like to revert to what I was saying earlier. If the Fathers of Confederation came back on earth in 1967, they would have many astonishing surprises.

At the time this agreement was concluded, that is what we call the British North America Act, or the confederation pact, the question of municipalities was almost non-existant in this country. The very few existing ones had so few responsibilities that no one gave it any thought. But, in 1967, the problem is quite different.

By leave, I should like to come back in a few minutes to some remarks made in respect of the tax distribution at the three

levels of government, each of which has responsibilities of its own, and to quote from a brief submitted to the royal commission on taxation, the Carter commission, whose final report we have just received; this brief was submitted by the Canadian Federation of Mayors, an organization that includes all mayors from the ten Canadian provinces. Since this report has been presented in French and in English, I shall read this text in the language that is before me:

• (8:40 p.m.)

[*English*]

Though still largely overlooked as a serious subject for study, municipal governments are now carrying some of the most critical responsibilities for public policy. The quality and efficiency of our urban communities where more than 70 per cent of Canadians now live—

[*Translation*]

Mr. Speaker, I wish to point out that this was written in 1965 and we are now in 1967. The proportion has increased since them.

[*English*]

—and where 80 per cent or more will live by 1980, depend to a large extent on decisions made by municipal authorities and on the financial and technical assistance received by them from senior governments.

[*Translation*]

This is where federal-provincial tax arrangements come in.

[*English*]

Public concern is being focussed more and more intensively on regional and local interests. A new urban-minded generation is becoming more fully aware of its needs and responsibilities. The remarkable surge of provincial activity in most parts of Canada today is in large measure a response to the economic and social demands of urban populations who are expressing their needs with increasing force and clarity.

[*Translation*]

And if I mention it, Mr. Speaker, and I will mention another with your permission, it is precisely because I will repeat what I said earlier: in all those federal-provincial talks, everyone seems to forget that there is a third level of government which, in the opinion of many well-informed people, is just as important as the others, although it has less prestige, because it is closer to the people and has to face problems which are more vital, more essential in some respects than the others, although I know very well that the three levels of government must work hand in hand. And that is how I will conclude soon.

And with your permission, to buttress up the argument I want to make here about Bill No. C-277, I will quote another extract of that brief submitted by the Canadian Federation of Mayors to the Carter commission, as prepared by Professor David Slater of Queen's University about the problems of municipal financing. It reads as follows:

[*English*]

—that the municipal finance dilemma was summarized as follows:

Municipal government expenditures have increased more rapidly than the national output, rising from about 4.9 per cent to 8.3 per cent of G.N.P. between 1950 and 1962.

[*Translation*]

Those are the figures for 1962, but it is a sure thing that in 1967 they were still higher. I regret that I do not have those figures. Since the bill was withdrawn at the last minute this afternoon, I had them in my files, but I did not have time to take out the 1966 figures—

[*English*]

The revenues raised by municipalities have increased from about 3.5 per cent to about 5 per cent of G.N.P. Despite the proportionately more rapid growth in the revenues raised by municipalities than in the value of the national output, the share of municipal expenditures financed by their own revenue-raising activities has fallen steadily, from nearly 70 per cent in 1950 to about 60 per cent in 1962.

I repeat, and this is my comment, that the figures for 1966 will be even worse. The summary continues:

This growing gap has been filled primarily by increased reliance on transfers from provincial to municipal governments. There has been no trend of increase or decrease in the proportion of municipal expenditures financed by borrowing.

[*Translation*]

—and it could even be added that municipalities are now in a difficult position as far as loans are concerned.

[*English*]

Even so, the outstanding municipal debt has increased more rapidly than the national output or the municipal tax base. The strain on municipal finance appears to have inhibited the carrying out of municipal projects, particularly those which are ordinarily financed by the issue of debentures.

• (8:50 p.m.)

[*Translation*]

Mr. Speaker, this is proved by the figures presented in this brief. I see here that the general administrative expenses of the municipalities, in all the provinces of Canada—

I take them all together, and I am not concerned at the moment with a distribution or an analysis which would be beyond the scope of my comments—totalled $303 million in 1933.

In 1953, these expenses reached $1,010 million. In 1961, which is unfortunately the last figure I have—again, Mr. Speaker, I repeat I must apologize, for we were taken by surprise by this bill this afternoon—in 1961, the total expenses of the municipalities in Canada were $2,242 million.

And what were the revenues, Mr. Speaker? It is simple. In 1933, when the municipalities were spending $303 million, their revenues totalled $294 million. Therefore, they had a deficit. They had to depend upon the provinces or the federal government to meet their needs and discharge their responsibilities to the people within their confines.

In 1943, the municipalities' revenues amounted to $348 million, while their expenses were $302 million. Then we had a cruel, inconceivable and unusual period of prosperity called war. Evidently, because in 1953, let us say, things came back to normal, that is they continued to be abnormal, municipalities continued to show a deficit because the federal and provincial governments—as my friend from Roberval (Mr. Gauthier) said a moment ago—were monopolizing nearly everything, leaving nothing to local administrators, since the municipalities then had total expenditures of $1,010 million—I refer to 1953—and their revenues amounted to $840 million only.

In 1961, when the expenditures of Canadian municipalities in the ten provinces were $2,242 million their revenues were $1,823 million only, that is they showed a large deficit.

Mr. Speaker, that is precisely what I am driving at. What I want to say here is that, in all these discussions, all these conversations, all these negotiations between the federal and provincial governments, the municipalities are treated like abnormal orphans, like poor children who must be content with the mouthful of bread they are condescendingly given. What is more, they are expected not to be too demanding, as they are not even allowed to participate in the round table dialogues, as they should, in view of their considerable responsibilities toward the taxpayers. Their responsibilities may perhaps even be greater than those of the other governments, may be even more critical, because they live from day to day with the citizens, hear their complaints every day, and must find solutions to those problems, while often having their hands and feet bound by the superior administrations.

If the Fathers of Confederation came back to earth, they would be amazed at how things they knew have changed in 100 years. And they would find it difficult to understand how one can take the liberty of dealing so lightly with the officials of that third level of government known as municipal authorities.

I say that mayors and aldermen are martyrs of the public cause, for they are the ones who hear the repercussions of what is done in the House of Commons and in the provincial legislatures, as the electors do not often have an opportunity of seeing their M.P. or M.L.A. and complain to their aldermen and mayor. And very often they do not understand why municipal administrations do not have the powers they should, why they do not have the finance required to meet the needs of the municipality.

Mr. Speaker, the mayors have been asking for several years to be allowed to participate in the federal-provincial conferences. This request has been made through the Canadian Federation of Mayors, comprising all municipalities in every province. Together, they try to examine the problems of municipalities in the light of the experience of mayors and aldermen of the most important municipalities of the country, with the help of the best economists, the best statisticians, the advice of the most reputable sociologists invited to attend their convention. The members of the federation make this request even if they were only allowed to sit in as observers—the municipalities realize that they are merely provincial bodies—in order to see how their fate is discussed and in order to put forth, occasionally, constructive and intelligent suggestions in order to help certain ministers or premiers upon whose decisions depends the fate of municipalities. These decisions are often the result of haphazard consideration and are often made by people who are not familiar with municipal government.

Some provinces—and I know, because I have toured the ten provinces several times and on many instances I have met municipal heads and administrators—have reduced the role of municipal administration to the so-called rubber stamp, and they are not even given that basic privilege of being asked for their advice about legislation on municipal affairs.

I glanced over the Carter report—of course, I did not have time to read all those things—

but I went over it with a curiosity that you will understand after what I have just told you, in order to try and find what could be said in it about the implications of those recommendations on municipal administration.

In my opinion, the Carter report, is a masterpiece, it contains recommendations which are absolutely valid, which will certainly involve a fiscal revolution and will probably create an economic climate that will indirectly assist the municipalities.

But I would have liked to see in that, as in some other documents coming from the provinces of Canada, an awareness that the municipal governments, exist, that they are grouped, provincially, in a union of municipalities and federally grouped in the Canadian federation of mayors, that they are entitled to have a say in the matter and that, in most cases, they have in this third level administration an experience greater than that of most of those who are legislating on a higher level.

Mr. Speaker, to show that I am not imagining such things, I wish to point out that even if the municipalities are provincial creatures, there are, nevertheless, joint fields of authority and of responsibility where the three levels of government must step in.

I should like to enumerate a few, very briefly, and without comments. The three levels of government are trying, of course, to improve the living conditions of their constituents. The elected representatives at the municipal level see their constituents and hear their representations night and a day.

Those who among my colleagues have been mayors or councillors know that it is not unheard of to be awakened in the middle of the night by people reminding them that they are unemployed, that they cannot take advantage of this or that piece of social legislation, that the entrance to their house or yard has not been cleared. They know that is part of the social awareness that the municipal administrator must keep alive twenty-four hours a day.

There is the winter works program which should be financed by the federal government and which, in my opinion, should be amended somewhat, brought up to date to take into account the present situation. There is the Central Mortgage and Housing Corporation, there is urban renewal which is a tragic problem in a great number of municipalities. There is also the financing of sewer systems, contributions to centennial projects, the retraining of workers, the general control of the economy which results in indirect taxes such as the sales tax and others. There is also unemployment which is precisely the great plague of municipal authorities, because if the federal and the provincial governments fail to take appropriate action to alleviate unemployment, mayors and aldermen are the ones who listen day in and day out to the grievances of the jobless. Taxes of all kinds drain the financial resources of the taxpayers to such an extent that municipal authorities are unable to draw up their budgets.

Mr. Speaker, I could refer to many other things, but I do not want to overtax the patience of the house. In conclusion, I have a simple and practical suggestion to offer the Minister of Finance. I see he is busy with the Minister of Energy, Mines and Resources (Mr. Pepin) and I am not blaming him, because it is always wise to draw near to wealth, whether natural or artificial, but to make sure that the minister understands me—I am aware of his worthy efforts to learn French and I would not want him to be vexed at my procedure but rather to consider it as an effort at understanding on my part—I shall try to make my point in a language which is not my own—

• (9:00 p.m.)

[*English*]

There are three levels of government in this country, the federal, the provincial and the municipal. Each has its own responsibilities and each must have the means to carry out its responsibilities. I think one thing is missing; that is, municipal governments are not consulted often enough. For years and years they have been asking that they be allowed to attend these conferences between the federal and provincial governments so that they would know what is going on, and so that they would have an opportunity eventually to speak their minds, since they have a very heavy responsibility. I would suggest that we establish in this country the type of intergovernmental advisory commission they have in the United States, which operates for 12 months of the year and which is assisted by a task force—and this is a word I heard this afternoon—of specialized people. This intergovernmental advisory commission, board or whatever you might call it, would be made

up of representatives of the federal government, the provinces, and the municipal governments which have their own organization, the Canadian Federation of Mayors.

Mr. Speaker, I should like to insist on this. Most of the time when one speaks of municipalities he is not taken seriously. In the minds of many people these governments are considered secondary, because after all they are composed of mayors and aldermen. The prime ministers and ministers of the provinces control them and sometimes have them elected or defeated. However, they have their responsibilities, and need the financial means to exercise those responsibilities. I think we should bear this in mind when we discuss financial arrangements between federal and provincial governments, because the province is supposed to be the father of the municipalities which, I am sorry to say, is not always so.

Mr. Sharp: Mr. Speaker—

The Acting Speaker (Mr. Richard): If the Minister of Finance speaks at this time he will close the debate.

Mr. Sharp: Mr. Speaker, I was going to ask the hon. member if he would accept a question.

Mr. Mongrain: Certainly.

Mr. Sharp: I should like to ask the hon. member whether he thinks the philosophy he has just enunciated would be acceptable to the prime minister of Quebec.

[*Translation*]

Mr. Mongrain: Mr. Speaker, I am happy—

[*English*]

I am sorry I am not able to say this in English. I wish to say it the way I really feel it.

[*Translation*]

Mr. Speaker, I am glad that the minister put this question to me because this is precisely the type of question that I would call provocative in the positive, non-pejorative sense of the word. I do not know; the premier of the province of Quebec does not confide in me, since I am an independent member. As a matter of fact, I was even too independent for the former premier of the province of Quebec to confide in me.

But I am well aware of municipal matters, however. I have visited all ten provinces, and during my visits the mayors of all the important cities told me of the problems they faced, and I would also say, in answer to the minister that I do not know what the hon. minister of the province of Quebec thinks, nor do I have any idea of what the ministers of the other provinces think, today. I do know that a few years ago, no one shared my views; nevertheless, I believe I am telling the truth since this is not of my own invention. I have heard all my colleagues, mayors from the ten provinces, make the same statement. I assure you that some of those persons —I was going to use the word "brilliant", but I will refrain from doing so because I note that some of the present hon. members were mayors of their municipality at the time—

[*English*]

If the minister is interested I could check with the ministers of the province of Quebec. It happens that occasionally I can make a phone call to them.

Mr. Melvin McQuaid (Kings): Mr. Speaker, I do not propose to delay unduly the second reading of this very important bill. There are, however, one or two principles in it with which I must disagree, and I take this opportunity to make known my disagreement. I am convinced that the proposal in the bill to relate equalization payments to the average of all the provinces of Canada very definitely is a backward step and one which will react unfavourably on the poorer provinces of Canada. I refer particularly to my own province of Prince Edward Island.

At this time I should like to place before the house, before the government and the minister just as succinctly and concisely as I can the situation in which the province of Prince Edward Island finds itself at the present time, in so far as being able to finance its essential services is concerned. I think probably I can exemplify this very clearly first of all by pointing out the debt situation in which Prince Edward Island, the smallest province of Canada, finds itself.

I should like to go back over a three year period, starting March 31, 1963. The direct debt of this province at that time, less of course our sinking funds, was $38,709,000, or $362 per capita. One year later, March 31, 1964, the direct debt had increased from $38,709,000 to $50,059,000, or $468 per capita. As of March 31, 1965, the net direct debt had increased again from $50,059,000 to $56,200,000, or $520 per capita. Finally, as of March 31, 1966, the last fiscal year for which definite

figures are available, that debt had increased from $56,200,000 to $62,200,000 or $575 per capita. That, Mr. Speaker, represents an increase in debt for a small province of only 108,000 people over a three-year period of 62 per cent.

For the year ending March 31, 1967—the end of this present fiscal year—it is estimated it will take $4,300,000 to service this debt. This amount of $4,300,000 must come out of our revenues. It is required to pay the interest on what we owe and to establish an adequate sinking fund to meet our provincial debentures when they fall due. I should like to point out that under the proposed agreement in respect of this bill which is before us now our province will receive from the federal government under this arrangement a total of $14 million. It will take 30 per cent of that $14 million simply to pay the interest on and service the present debt.

From these figures I believe it must be obvious that that $14 million certainly will not be enough. If we look at it from another angle, our revenue from provincial sources for the year ending March 31, 1967—this is the revenue we will collect from our own taxpayers—will amount to only $12,500,000. That is the amount our government can collect from its taxpayers. Out of that $12,500,000 we first must take $4,300,000 and set it aside to service our debt. In other words 35 per cent of our provincial revenue must go immediately to service the provincial debt, pay the interest and provide an adequate sinking fund.

• (9:10 p.m.)

It is obvious to anyone who takes a close look at the figures that our province is heavily dependent upon the revenues we hope to receive from Ottawa. Our total estimated revenue to March 31, 1967, is $33,500,000. That is the total amount our government has available to it to run the province, and of that $33,500,000 we will receive $21 million from Ottawa. In other words, 60 per cent of our total revenue will come from Ottawa. Ours is the only province in Canada that receives more from Ottawa than it collects from its own taxpayers. I am only pointing this out to impress upon this government just how heavily a province such as ours is dependent on the federal treasury.

I submit very seriously that we in the province of Prince Edward Island cannot pay more in taxes. That is because our tax potential is extremely low. We have the lowest wage earners in Canada. The average weekly wage in our province is $64 as compared to the Canadian average of $96.53. Our wage earners receive about $32.50 below the national average.

According to the latest figures available the average Canadian makes $5,000 per year. In Prince Edward Island the average is $3,600 per year. We have greater unemployment and underemployment than any other province in Canada. In December of 1966, we see that 5.8 per cent of the labour force in the Atlantic provinces was unemployed, as compared with only 2.4 per cent in Ontario. Taking into account the very low per capita income, I very seriously suggest we do not have the tax potential in our province to provide through our own revenues the essential services to which people are justly entitled.

One might very well ask what are the causes of this low per capita income. I suggest there are several, including the loss of our markets to the south, the increase in tariff barriers against our exports, the opening up of supplies of natural products from other countries and the centralization of industries in close proximity to big population centres. We find it extremely difficult to encourage industry to come to our province. Our geographical isolation is probably another reason our per capita income is so low.

Often we talk about the war on poverty. I suggest that one of the most effective weapons with which successfully to fight this war is a plan whereby we can bring about a more equal distribution of our national wealth. If a plan could be devised to bring about a more equal distribution, then we in our province would benefit and our people would be able to contribute more to the provincial treasury by way of taxes.

National prosperity is not spread equally throughout the provinces and regions of this country, and regional disparities in incomes and opportunities have persisted. I suggest they will continue to persist until we hit upon a more socially equitable policy for distributing income throughout the economy.

For the past 100 years our biggest export from Prince Edward Island has been in the form of brains. Statistics conclusively indicate that our birth rate over the years has far exceeded our death rate, but our population remains at about the 100,000 mark. It has stayed at that point for 50, 75 or 100 years.

You may well ask what has happened to our natural increase. It is syphoned off to other parts of Canada, where the prospects

and opportunities of enjoying a higher standard of living are greater than in our own province. I suggest therefore that until such time as effective measures can be devised to bring our incomes at least close to the national average, we must lean heavily on Ottawa in order that we may enjoy the same measure of essential services being enjoyed by other provinces of Canada. Of course as fellow Canadians and citizens of this great country we are entitled to the enjoyment of the same essential services as are enjoyed by the other provinces, in spite of the fact our unfortunate position is such that we cannot possibly provide these from our own revenue. It must not be forgotten that we are citizen of Canada, and that it is not through any fault of ours our incomes are not high enough to provide sufficient tax to enable our government to give us these services.

Any fiscal policy inaugurated between the federal and provincial governments must take into consideration the fiscal ability of a province to maintain a national standard of service. This is the area in which this proposed arrangement falls down drastically. It does not take into consideration the fiscal ability of the province to provide essential services.

Every Canadian from Newfoundland to British Columbia expects, quite rightly, the same quality of services in education, highways, health and welfare, transportation and in other well established government programs. That is all we ask. We do not want to be considered as poor relations in this great confederacy, nor do we ask for any privileges. We do not want any; but we do very vigorously claim a recognition of a right to fiscal equality. We shall never be satisfied until that right is afforded us.

As I mentioned before, ours is one of the provinces with inadequate tax collection potentials and we must have a substantial increase over and above the amount we are to receive under this proposed bill. The provisions of this measure definitely do not go far enough to meet our needs. No arrangement will be satisfactory which does not make it financially possible for our province to provide a reasonable level of provincial services without imposing an abnormal burden of tax, because our people cannot bear that burden of taxation. This is the basic and indispensable minimum requirement of any division of revenues between the heads of government and the measure of relief given to us under the provisions of this bill. An additional $3,500,000 does not come anywhere near meeting this requirement.

We take the position in our province that federal-provincial agreements must seek to attain a balance between the financial capacity and the responsibilities of government, and we therefore must have a formula based on fiscal need.

• (9:20 p.m.)

Fiscal need is the only satisfactory base upon which any formula can be devised. The policy which is incorporated in this bill, that of relating equalization payments to the average per capita revenue of all the provinces of Canada, is very definitely not in accord with the principle of fiscal need and is not satisfactory to us.

Another thing we are disappointed about is that the Atlantic provinces adjustment grants—those grants which have meant so much to us in past years—while strictly speaking they are not being abolished, they are losing their identity. I suggest it is not fair to have the Atlantic provinces adjustment grants incorporated in our equalization grants. I am afraid that this is only the thin edge of the wedge. The Atlantic provinces adjustment grants as such will be no more. I realize that the 3½ million we have been receiving each year under the Atlantic provinces adjustment grants is now being incorporated in the $14 million we are about to receive, but it goes in under the heading of equalization. I do not think this is right. I think the identity of the Atlantic provinces adjustment grants should have been maintained.

I would suggest three remedial measures that will give us and the other poorer provinces of Canada the relief which we need, the relief to which as a province of this country we are entitled. The first would be a basic payment across the board to those provinces with a low fiscal capacity and a low tax potential. This refers to any province that has a low fiscal capacity—that is, the earning power of its people is not sufficient to allow them to pay taxes to provide the essential services that are required—and a low tax potential. With regard to the provinces which find themselves in this situation, I very seriously suggest that they should first of all receive a basic payment. Second, I suggest that the present equalization payments must be averaged to the highest income province in Canada, and not to the national average. These equalization payments should not be geared to the national average of all the provinces of Canada but rather to the revenue of the highest income province. Third, Mr.

Speaker, I suggest an increase in the Atlantic provinces adjustment grants from the present $35 million to $60 million a year.

These suggested amendments would certainly result in an improvement in the financial arrangements suggested in the present bill and would help our province and other provinces which find themselves in practically the same situation to meet the mounting costs of provincial services, without resorting to an abnormal burden of taxation. I suggest that as a province of Canada this is the minimum to which we are entitled. I very seriously recommend these three remedial measures to the minister before we pass the present bill.

Mr. Howard Johnston (Okanagan-Revelstoke): Mr. Speaker, I listened with interest this evening to the minister's preliminary statement. As usual it was a very reasoned one and one that I know will strike some response in my own province of British Columbia, because we are a province of very reasonable people.

Mr. Herridge: Hear, hear.

Mr. Johnston: At the same time, Mr. Speaker, I must confess that we are one of the "have" provinces. Any time a British Columbian begins to talk about his own province it becomes immediately obvious that ours is one of the provinces of this great country that has been particularly blessed. Therefore there is a danger inherent in the sort of lengthy and seemingly complete bill before us this evening, when it is considered with the reasoned statement of the Minister of Finance (Mr. Sharp), that too reasonable people will think our province has really nothing further to ask of any federal government. But I would submit, Mr. Speaker, that this is a delusion.

It is one of our Canadian problems, that too many of the schemes, proposals and arrangements that are put forward for the development of this country become rescue operations, rather than operations designed to assist the provinces that are in a position to go ahead. We in British Columbia feel that there are many areas in which our province has not had the kind of assistance from the federal government that has been given to other provinces. This problem is sometimes concerned with geography.

I might mention that although we are very proud of our history and the fact that Vancouver Island and the mainland formed a political union a long time ago, we realize now it was fiscal folly to do so in the light of what has happened to date. Had our people had sufficient foresight into the development of this country, they would never have united Vancouver Island and the mainland; they would have left Vancouver Island as an individual province. If that had been done, the city of Vancouver would now have no problems in connecting its heart with the north shore, because the federal government would have seen that highways were built; and there would be a project at least under way, if not completed, to build a bridge, causeway or tunnel between the mainland and Vancouver Island. We can see now, with hindsight, that perhaps what seemed such a farsighted view 100 years ago was really something that eventually posed a problem.

In this connection, Mr. Speaker, I would mention our railroad, the Pacific Great Eastern, which because it is a provincially owned railroad has never been on the same sort of financial footing as other railroads in this country. I might tell the house a story about that railroad. I lived in the little village of Lillooet, in the Fraser canyon, for several years and the Pacific Great Eastern Railway ran through that village. We had a very good friend, an immigrant from Germany, who lived in the house beside ours. She did not know the history of British Columbia very well. Her house, like ours, overlooked the railway track, and she watched trains go by every day of the year, month after month. One evening she came over to us, much agitated because something strange had happened that afternoon; A train had gone by and the whole village had risen as one and rushed to the bank overlooking the railway track to watch it pass.

Our neighbour could not understand why this had happened. I explained that it was really very simple. There had been a disastrous series of slides in the Fraser canyon which had completely blocked off the two major railways, the C.P.R. and the C.N.R., from the city of Vancouver, and for the first time in history the Canadian National had run a train over the tracks of the Pacific Great Eastern down to Vancouver, in order to bring freight in, while they were waiting for repairs to be carried out. The little village of Lillooet appreciated the fact that for the first time there had been forced upon that other great railroad recognition of the fact that the Pacific Great Eastern actually existed. I do not think this recognition has as yet reached

the federal government. The federal government does not seem to have recognized the special situation which exists in British Columbia.

• (9:30 p.m.)

Mr. Herridge: Does the hon. member know it has been reported recently that Premier Bennett suggested that the province of British Columbia should take over all the railroads in British Columbia?

Mr. Johnston: I think this would probably be an excellent idea. From my observation, only one railway has been extended recently into the undeveloped parts of the province, and there are probably a good many sections of the province that would be overjoyed if the province took over the management of the other lines, as well as the one it now owns. I think the hon. member for Kootenay West may himself have one or two areas in mind which would benefit from such a far-sighted development.

There are other factors involved in the equalization, and in a reasonable approach from both federal and provincial governments. The whole bill is tied to natural resources and the revenue which they produce. I do not wish to dwell on this topic but we know that within a day or so the famous and long awaited supreme court case between the federal and provincial governments concerning the offshore mineral rights in British Columbia will be underway. We can see a reason for that in this bill. The federal provincial fiscal arrangements are tied to natural resources, and the outcome of the legal decision which will be made will be a most important one, not just for British Columbia but for every province in this country which has a sea coast, and for those parts of the country that are not yet provinces but which will be affected by the decision one way or another. The fact that the court case is under way is a salutary reminder, because if the federal policies were always as reasonable as the words of the minister would indicate then another solution would have been found to this problem. It would have been solved by political discussion and not by the legal means which are being utilized at the present time and which in all likelihood will not produce a satisfactory situation in the future.

The minister's statements have been so reasonable that I am sure this is one of the reasons why the people of B.C. have so insistently and consistently believed hon. members on the government side who have either gone out to that province, or have gone home to it and informed the people of British Columbia that large sums of money are waiting in some federal treasury if only the provincial government would ask for them. We have heard this repeatedly. They talk about these funds when there is either a federal or provincial election, and this story has been so common and so current in British Columbia for several years now that it is not surprising that the premier of British Columbia, who is also a reasonable man, has reached the point of sending a telegram to the Minister of Finance asking whether it would be possible to borrow $100 million from the federal government to be used for the development of hydro schemes on the Peace and Columbia rivers. These hydro schemes were about to be undertaken when the federal government increased the sales tax on construction materials to 11 per cent. This measure which affected construction in all provinces in Canada and was perhaps the most inflationary measure brought in by any Canadian government was one that affected particularly British Columbia.

The premier of British Columbia is a reasonable man and I am sure he knew that $100 million would not be forthcoming as rapidly as some people thought it would, but it was one way of solving the nagging question which I have been asked many times myself and that is: "How about these large sums of federal money? What is wrong with the government of British Columbia that it does not go ahead and ask for some of this money? We are told that it is there, why is the request not made?" The request has been made. An hon. member says that it was made so long ago that even the interest on that sum would amount to a considerable sum of money, and I would agree with that.

I have read the statement made by the minister on March 2 in which he referred to this request. Unfortunately I was not present in the house at the time. I am glad to hear that the statement was much more reasonable than the answers which he gave in the house to questions put to him by the hon. member for Kootenay West. I know how concerned that hon. member is over this whole question, and I know of the high regard in which he holds the policies that are carried out by the government of British Columbia.

I do not intend to oppose this bill because I believe that it does improve the situation in British Columbia in several respects. However, I would like to make it very clear that it does not solve a host of problems in British

Columbia, simply because our province attracts people from many other areas in Canada. For example many problems arise in providing hospitals for the aged. In this connection we hope that some day the federal government will be able to increase its per capita grants for hospital construction, an increase that has been long awaited and long overdue in our province.

We also have problems in providing education, because of the families which have moved to our province as a result of its booming economy. I would remind hon. members from other provinces in Canada, whose population is more static and who speak about the brain drain, that they can congratulate themselves on the fact that at least they can cope with the educational problems their provinces have, because in British Columbia it is very difficult indeed to cope with all the demands of education at the present time. I know that this bill will improve somewhat the situation in post-secondary education, but I am concerned about the problems that will arise.

There is a great need for some sort of a federal bureau of education in order to discuss carefully what federal policy will mean in terms of actual schools in the province, to which this legislation will be applied, because it does not take much change in the grants policy to distort the educational picture in a province and to influence the structure of its educational system. Confusion can arise over what is meant by junior matriculation, in view of the fact that some provinces require three years of secondary education before junior matriculation, while others have four years. The whole system of secondary education may well be adjusted in some provinces in order to enable them to benefit to the greatest extent possible from the federal grant.

Finally I would like to say a word about the vexing problem of estate taxes, which has been mentioned already in this debate. The Carter commission had some important things to say about estate taxes. The hon. member for Burnaby-Coquitlam (Mr. Douglas) was concerned about the fact that there was a five year time limit on this bill. He was afraid that the Carter commission report would run into interference from this bill. I do not think he needs to worry about this because I suspect many more than five years will have passed before any of the major recommendations of the Carter commission are implemented, judging by the present pace of legislation and the progress which we experience in this parliament.

• (9:40 p.m.)

I hope that the government will move to amend the estate tax requirements and not await any general implementation of the Carter commission report. Because I think the time has gone by when businesses in Canada can afford to be disrupted upon the death of the owner. Sometimes deaths are premature and unexpected, and far too often businesses either have to be sold or undergo a complete change of management in order that estate taxes may be paid.

I am sure that any member who sat on the drug costs committee, Mr. Speaker, heard repeated over and over again the story of drug companies which used to be Canadian, but because their owners were getting on in years and no member of the family wished to take over the company and face the prospect of meeting enormous bills for estate taxes, it became necessary to sell these companies. Because of the size of some of the companies the United States was the only place that could put up the capital, and as a result many of the companies appearing before the committee were wholly-owned United States subsidiaries, instead of being Canadian-owned.

Why is this, Mr. Speaker? Books have been written suggesting that the cause of this is United States economic imperialism; but I contend that far too often the cause has been the tax policies of the government of Canada.

Mr. Robert C. Coates (Cumberland): Mr. Speaker, from 1933 until 1956 there was a provincial Liberal government in my native province. From 1935 until 1957 there was a federal Liberal government in Ottawa. During the whole of this period efforts were made by the various Liberal premiers who held office in Halifax to secure recognition by the Liberal government in Ottawa of the very obvious plight of the maritime provinces. Far too often the late and great Angus L. Macdonald came to Ottawa looking for assistance, and went home empty handed. His successor, Henry Hicks, had the same fate in store. If the Liberal government had not been defeated in the general election campaign in 1957 I dare say that Robert Stanfield would have enjoyed no greater success than his predecessors.

However, Mr. Speaker, in 1957 the Diefenbaker administration was elected to office and almost immediately the Atlantic provinces found a government with a national policy as well as a regional policy that recognized the special problems of the Atlantic provinces and tried to do something about them.

When I same to this house in 1957 I was impressed indeed by the work of the late George C. Nowlan, who at that time as minister of national revenue put forward the special problems facing the Atlantic provinces and secured early in 1958 the passage of legislation which provided through the Atlantic provinces adjustment grants the sum of $25 million a year for those Atlantic provinces. This was special recognition, Mr. Speaker. The total sum provided at the time was $100 million spread over a four year period.

As the four year period drew to an end, the Diefenbaker administration did not say to the Atlantic provinces: "Well, you have gotten $100 million more than expected when we were elected to office; we do not feel that you should have more, even though your problems continue to exist and persist". Instead, Mr. Speaker, the Diefenbaker administration passed further legislation in 1962 continuing the Atlantic provinces adjustment grants for a further five year period, and increasing from $25 million to $35 million the yearly amount paid.

We are today debating legislation that will eliminate the special recognition granted to the Atlantic provinces by the Diefenbaker administration. To this I object as strenuously as I can, Mr. Speaker. I ignore and discount the argument that is put forward that it is all going into the pot; that it is going to be part of the scheme of things in the future. What the government is doing now, in effect, is eliminating this special recognition that was afforded to the Atlantic area when the Conservative government took office in 1958, and passed this legislation.

Surely there is money available for the present through the negotiations which have taken place; but this special recognition that was made is no longer acknowledged, and the next time agreements are reached between the federal and provincial governments no thought will be given by the present administration, if it is lucky enough to still be in office at the time, to giving the Atlantic provinces the special recognition they deserve.

[Mr. Coates.]

There is no difference between the problems we face today, Mr. Speaker, and the problems we faced in 1958 when this legislation was passed, except that probably the problems are not as great as they were as a result of the passage of this legislation. But the problems are there. We still have a higher rate of unemployment than any other part of the nation and a lower per capita income than any other part of the nation. As the hon. member for Kings (Mr. McQuaid) so ably pointed out in his address, the problems we had at confederation not only still exist but indeed have increased many, manyfold, the most significant increase occurring when a Liberal administration holds office in Ottawa. As far as I am concerned, Mr. Speaker, in the maritimes Liberal times are hard times.

The Progressive Conservative party have always urged special recognition of the Atlantic provinces in order to eliminate the disparity existing between that area and the rest of Canada. The Liberal party has continually ignored our problems and endeavoured to treat us in the same manner as any other part of the nation. When Liberal spokesmen go down to that area of Canada they recognize our special problems, but only for the period of time they spend there. As soon as they leave the Atlantic provinces the problems which are in their minds also seem to disappear. It will be a sad day for the Atlantic provinces when the Atlantic provinces adjustment grants go out the window, as they will on passage of this legislation.

The same thing happened to the Atlantic Development Board, Mr. Speaker. Our concept was that the Atlantic Development Board would endeavour to lift up the Atlantic provinces and assist the people there to lift themselves up. As soon as the Liberal party took office, we found the board downgraded. It was no longer the instrument through which we were to go forward, with hundreds of millions of dollars being poured into our area in the hope that the disparity could be eliminated. Instead, we found the Minister of Transport (Mr. Pickersgill) telling us that the board was for the future. He even put a date on the future of the board, until we forced him to eliminate it. The position of the board in the future would be that of a gap filler, and indeed that has been its position.

• (9:50 p.m.)

I will say this, Mr. Speaker—

Mr. Stewart: Will the hon. member permit a question?

Mr. Coates: No, I do not have the time. I will say this, that the board has effectively done the job this government gave to it, within the confines of the funds made available to it. However, it has not been the kind of board the Progressive Conservative party envisaged when they established it. It has not done the kind of job that we had hoped such a board would do. The sad fact of the matter is that this government seems determined to eliminate from the statute books of this nation any legislation specifically directed toward eliminating the disparities and recognizing the problems facing the Atlantic provinces.

This is the thing that I abhor the most, the fact that this government is unwilling to recognize our specific problems, is unwilling to give us an opportunity to do the things in our part of Canada that will allow us to move forward with the remainder of this nation. Certainly if this legislation is passed in its present form, all the great work that the late George Nowlan did to see that the Atlantic provinces received special recognition is going to go out the window. Unfortunately there is little hope that this will not happen.

One need only look at the difficulties being experienced in the Cape Breton area of my province of Nova Scotia to realize that we have special problems. We are willing to face these problems, and attack them as best we can within the financial resources available to us. However, we do not have the finances to do so, and we do not get much help from this government. We have not received much help during the four years this government has held office. I do not know what the fate of the Atlantic provinces will be in the future if this government persists in eliminating all the good things that were done by the Diefenbaker administration.

I do not know whether this government realizes or cares to realize how serious these problems continue to be. We hear all kinds of excuses made about why this or that has not been done. We do not get the kind of action we deserve, and we do not get the kind of recognition that we need if we are going to close the gap, which is becoming an ever-widening gap between the Atlantic provinces and the rest of Canada. There does not appear to be any legislation on the order paper, or any prospects of legislation, with the exception of the special corporation which is to be set up to deal with the problems of the coal mining industry in Nova Scotia, that is going to help us eliminate the problems that are very much in evidence in our area.

Surely to goodness, the government does not think the Cape Breton corporation, which is to eliminate the coal mining problem, in itself will meet all the problems of the Atlantic provinces. I know that in Cumberland county, as well as many other counties, there is ample evidence to indicate a great deal more must be done. Surely, there is not much evidence for the people of the Atlantic provinces to indicate that anything more will be done, if this government continues to move forward as slowly as it has up to now.

We in the Atlantic provinces are told many wonderful stories at election time, and have been told those stories during the last 100 years. Until the Diefenbaker government was elected in 1957, these were nothing more than stories. They were just pie in the sky. But the pie disappeared the day after the votes were counted. During the seven years the Diefenbaker government held office we got action; we got results and we got legislation.

Mr. Speaker: Order, please.

Mr. Coates: May I call it ten o'clock?

Mr. Speaker: The hon. member still has another two minutes before he can call it ten o'clock. I should like to remind him in passing that we are dealing with Bill No. C-277, and the arguments he is now advancing to the house do not appear to relate very closely to the principle of the bill. This is the reason I take the liberty of reminding the hon. member of the specific principle with which we should be dealing at this time.

Mr. Coates: Nevertheless the principle of the Atlantic provinces adjustment grants is very much involved here, and so far as I am concerned it will not be involved in the future if this legislation passes in its present form. This is the main point on which I am speaking, and I should like to see the legislation before the house altered.

Mr. Speaker: Order. Between the hon. member and the Chair we have now reached ten o'clock.

Mr. Sharp: I do not know whether the hon. gentleman had concluded his remarks, but if he had I wonder whether we might give this bill second reading and be in committee when next we reach it?

Some hon. Members: Agreed.

Motion agreed to, bill read the second time and the house went into committee thereon, Mr. Allmand in the chair.

Proceedings on Adjournment Motion

The Acting Chairman (Mr. Allmand): Shall I rise, report progress and ask leave to sit again at the next sitting of the house?

Some hon. Members: Agreed.

Progress reported.

• (10:00 p.m.)

BUSINESS OF THE HOUSE

Mr. McIlraith: Tomorrow we propose submitting to the house for its consideration the following items of business: If the evidence is printed in both languages, and distributed, we would take, first, item 63. the house in committee of the whole on Bill No. C-190 to amend the Bank of Canada Act. We would then proceed with items 135, 86, 134, 137 and 136.

PROCEEDINGS ON ADJOURNMENT MOTION

A motion to adjourn the house under provisional standing order 39A deemed to have been moved.

[*Translation*]

ROYAL CANADIAN MOUNTED POLICE—APPOINTMENT OF UNILINGUAL LIAISON OFFICER WITH EXPO '67

Mr. Gérard Laprise (Chapleau): Mr. Speaker, this afternoon, on the orders of the day, I asked the Solicitor General (Mr. Pennell) if it were true that a unilingual R.C.M.P. inspector had been appointed liaison officer between the federal police and the security service at Expo and, if so, if the minister would take steps to appoint a bilingual officer to that important post.

I felt prompted to ask that question after reading in the Montreal newspaper *La Presse* on Wednesday, March 8, a news report that read as follows:

An inspector of the R.C.M.P., unable to speak a single word of French, has been appointed liaison officer between the federal police and the security service of Expo.

Mr. J. A. B. Ryddel, who holds the rank of inspector, was stationed in New Brunswick until his recent appointment to Expo, an appointment which does not seem to please a number of members of the security force of Man and his World.

In the meetings all proceedings are carried out in French only. As Inspector Ryddel does not understand a single word of our language, the higher-ups of the R.C.M.P. had to delegate to him an interpreter who translates for him the words of the security officers.

Mr. Hervé T. Poudrette, who heads the security services at Expo confirmed to *La Presse* that inspector Ryddel spoke only English but he refused to comment on the situation.

[Mr. Sharp.]

A spokesman for the R.C.M.P. at Montreal headquarters also confirmed that Inspector Ryddel spoke only one language but he also refused to comment.

On the other hand, an Expo official said: you would swear Commissioner G. B. McClellan of the R.C.M.P. tried on purpose to offend French Canadians by sending us this unilingual official.

Mr. Speaker, it is inconceivable that, $6 or $7 million having been spent on the Laurendeau-Dunton commission on bilingualism and biculturalism, a man who does not speak French should be appointed to an important position in the city of Montreal.

In order to understand or to make himself understood, he needs an interpreter, and the dangers of that are quite clear.

Again, we realize that the commissioner of the R.C.M.P. is not working toward Canadian unity, and his gesture tends to sabotage all efforts toward national unity and peace in Canada.

The Solicitor General of Canada should remove Commissioner McClellan from his post for reasons of incompetence, and also replace by a bilingual official the R.C.M.P. inspector responsible for liaison between the various security bodies of Expo.

[*English*]

Mr. Bruce S. Beer (Parliamentary Secretary to Minister of Agriculture): On behalf of the Solicitor General I should like to answer the question asked by the hon. member. May I first express my regret that I am unable to give this answer in the other language. With the increase in duties which the force will have to carry out during Expo it has been found necessary to increase, at least for this year, the number of commissioned officers stationed at Montreal to deal with matters arising, not only out of Expo but also from the general increase of federal police work anticipated during that period.

Every commissioned officer stationed in the province of Quebec, until the transfer of this officer, was bilingual. Inspector Riddell, who was a newly commissioned officer, was sent to Montreal for a two-fold purpose; not particularly as a liaison officer with Expo, nor was he designated as such. Rather, he was sent as a general officer in the division to be available for general duties wherever he may be required and where pressure demands extra help. The second purpose of the transfer was in line with the commissioner's endeavour to encourage the study of French by English speaking officers.

The written instructions to the commanding officer at Montreal at the time of the transfer stated that this transfer would afford this officer an opportunity to study French and that he should be encouraged to do so. It is true that this young officer has been attending meetings in regard to Expo and otherwise, but it is to be emphasized that he was being encouraged to learn the French language and he is a young officer with a career ahead of him.

Motion agreed to and the house adjourned at 10.08 p.m.

23033—874½

HOUSE OF COMMONS

Friday, March 10, 1967

The house met at 11 a.m.

SUPPLEMENTARY ESTIMATES (F), 1966-67

A message from His Excellency the Administrator transmitting supplementary estimates (F) for the financial year ending March 31, 1967, was presented by Hon. E. J. Benson (Minister of National Revenue and President of the Treasury Board), read by Mr. Speaker to the house, and referred to the committee of supply.

INDIAN AFFAIRS

TABLING OF PART 1 OF HAWTHORN-TREMBLAY REPORT

Hon. Roger Teillet (Minister of Veterans Affairs): At the request of the Minister of Indian Affairs and Northern Development, and in his absence, I am tabling today copies of part 1 of a report entitled "A Survey of the Contemporary Indians of Canada" generally known as the Hawthorn-Tremblay report.

This is the first of two parts of the study which was commissioned by the government in 1963. I am informed that the second part will not be submitted by the authors for some time yet. Part 1 is being translated into French but the translation is not yet available. However, in view of the current speculation and concern among both Indians and others it is considered to be in the public interest to make part 1 available at this time.

The minister has hoped to have his detailed comments ready at the time the document was made public, but his study is not yet completed and a substantive statement will not be available for one or two months.

FISHERIES

SEALS—PROPOSED DISCUSSIONS TO PREVENT EXTINCTION OF HERDS

On the orders of the day:

Right Hon. J. G. Diefenbaker (Leader of the Opposition): Mr. Speaker, I want to direct a question to the Minister of Fisheries regarding a matter on which he has shown a commendable concern. I refer to the senseless slaughter of harp seals.

Is the minister in agreement with the views expressed by an outstanding Canadian conservationist, Mike Cramond, that unless a stoppage is put to this slaughter, within five years at the present rate of reduction—there were 3.5 million seals ten years ago and there are only 750,000 now—the seal population will be wiped out?

In view of the fact that Canada receives only about 10 per cent of the actual pelts that are secured in the harvest yet receives all the opprobrium connected with the slaughter, would the minister be prepared to communicate with the U.S.S.R., Sweden, Norway and those countries that reap the largest benefit materially, with the aim of putting an end to this slaughter? No matter what the minister has done, commendable though it has been, everywhere across the nation there has been a universal demand in this regard. Canada is getting a black eye from something which brings little return to this nation.

Hon. H.-J. Robichaud (Minister of Fisheries): Mr. Speaker, I would probably agree with the right hon. gentleman that Canada is getting a black eye from what is happening in the seal hunt, but as I have said before and I want to repeat, this is a result of irresponsible representations made by people who have nothing in mind but the complete abolition of this operation.

With regard to conservation measures, I want to assure the right hon. member that the conservation measures adopted covering such things as the length of the season and the quota which was established in 1964 are sufficient to provide adequate protection. Last year a million and a quarter adult seals were spotted on the ice pans in the gulf of St. Lawrence and hundreds of thousands more were spotted on the front, so there are no signs whatsoever that the seal herds are being depleted.

With regard to the international operation, I am sure the right hon. member knows we have succeeded in having control of the seal hunt on the front, that is, on the high seas east of Newfoundland, being accepted under the protocol of ICNAF, the international convention on the northwest Atlantic fisheries. Further, with regard to the methods used in killing the seals, I am sure the right hon.

member will agree that all possible measures have been introduced and are being implemented to the letter of the law. I have been pleased to hear in recent days from responsible representatitves of the S.P.C.A.—unfortunately not all of them can be so classed—to the effect that these measures are being fully implemented and fully controlled by officers of the department.

Mr. Diefenbaker: I thank the minister for that statement. I now ask him will he communicate with these other nations that are benefiting materially and overwhelmingly while Canada's name suffers, with a view to greatly reducing the present scale of the slaughter and ultimately ending this practice for Canada's benefit?

Mr. Robichaud: Mr. Speaker, I also wish to inform the right hon. member that we have been in communication with the countries to which reference has been made. We had a meeting in Copenhagen last fall at which this matter was discussed. We are trying to control the killing not only in Canadian waters but, as I have said, we have succeeded in bringing it under the protocol and control of ICNAF. This matter will be further discussed at an ICNAF meeting which will take place in Boston next June.

Mr. J. R. Keays (Gaspé): Mr. Speaker, I have a supplementary and relative question.

[*Translation*]

A news report from Îles-de-la-Madeleine advises us that posters on seal hunt regulations were sent in English only, even though 99 per cent of the population is French speaking.

Could the minister see to it that French posters are sent to the Îles-de-la-Madeleine?

Mr. Robichaud: Mr. Speaker, the Department of Fisheries usually sends out regulations posters in both languages, in French and in English. It may be that, in this case, only English posters were sent, due to the error of one of our employees. I can assure the hon. member that my attention was called to the incident and that the employee responsible for this will be asked to replace those posters by French ones.

[*English*]

Mr. Lawrence E. Kindt (Macleod): Mr. Speaker, for the benefit of those of us who are not as closely associated with this matter as others may I ask the minister to put on the record the value per pelt and the total receipts from the seal hunt. I have heard it is about $11 per pelt for a total value of $1,889,000 for 170,000 pelts harvested by Canadians.

[Mr. Robichaud.]

Mr. Speaker: Order, please. Perhaps the minister might do this on another occasion, I do not think it should be done at question time.

[*Translation*]

Mr. Marcel Prud'homme (Saint-Denis): A supplementary question, Mr. Speaker.

Mr. Speaker: I wonder if the hon. member does not feel that we should go on to another subject. If time permits I shall be pleased to revert to the question he would like to ask.

Mr. Prud'homme: Mr. Speaker, the point is I received this morning a petition from the students of a Montreal school.

I should only like to ask the right hon. Prime Minister whether he has received a petition from the students of the Peace Centennial school asking that the gulf of St. Lawrence be made into a seal sanctuary?

[*English*]

COMMUNICATIONS

SUGGESTED RESERVATION OF SPACE FOR CANADIAN SATELLITES

On the orders of the day:

Mr. T. C. Douglas (Burnaby-Coquitlam): Mr. Speaker, may I direct a question to the right hon. Prime Minister regarding the science secretariat's report, commonly referred to as the Chapman report which suggests the establishment of a national space agency and urges an agreement which would reserve to Canada space for communications satellites. In view of the fact that apparently there are only some 10 such spaces left and Canada will need three by 1980, unless Canada moves quickly we may have to rent communications satellite services from other countries.

I should like to ask the Prime Minister what minister is being charged with this matter and whether any representations are being made by the Canadian government to the United States government to work out an international agreement to reserve certain space areas to Canada for communications satellites.

Right Hon. L. B. Pearson (Prime Minister): Mr. Speaker, not only is this a matter of importance and urgency as my hon. friend points out, but the report already has been given consideration by the cabinet and referred to the science council. I have asked the science council to report back as quickly as possible. When this report is received we hope to be able to take some action. The Minister of Transport is the minister directly concerned, but I also am keeping in close contact with the matter because it also comes within my jurisdiction.

Mr. Douglas: In view of the fact that if the United States continues to put communications satellites into space Canada will be completely shut out of the area, are any representations being made to the government of the United States with a view to reserving space for Canadian communications satellites?

Mr. Pearson: This is a matter which will have to be included in the considerations. We will have to work out with the United States mutually agreeable arrangements. This is one of the matters with which we will have to deal.

[*Translation*]

INQUIRIES OF THE MINISTRY

On the orders of the day:

Mr. Réal Caouette (Villeneuve): Mr. Speaker, I should like to put a question to the right hon. Prime Minister.

In view of the fact that the new governor general is about to be appointed, is the Prime Minister in a position to say whether he will recommend the appointment of someone as perfectly bilingual as General Vanier was?

An hon. Member: That will not be easy.

[*English*]

Hon. Gordon Churchill (Winnipeg South Centre): Mr. Speaker, my question is for the minister of external affairs. Is it the intention of the minister to utilize in some capacity in external affairs the self recognized expertise of the hon. member for Red Deer (Mr. Thompson) in order to shore up the minister's shaky position?

Mr. Speaker: Order, please. The question contains allegations and as such is not in order.

Inquiries of the Ministry

EXTERNAL AFFAIRS

NIGERIA—STEPS TO SAFEGUARD CANADIAN INTERESTS

On the orders of the day:

Mr. Howard Johnston (Okanagan-Revelstoke): Mr. Speaker, my question is for the Secretary of State for External Affairs. In view of the ominous reports coming from Nigeria setting March 31 as the deadline for dissolution of that union, is the government taking any steps to safeguard Canadian interests should that union be dissolved at that time?

Hon. Paul Martin (Secretary of State for External Affairs): Yes, Mr. Speaker. Recently we had a talk in Ottawa with the new high commissioner for that country in Canada. This general matter was discussed with him, and we have taken certain steps.

THE CANADIAN ECONOMY

INCENTIVES TO ENCOURAGE CANADIAN INVESTMENT IN CANADA

On the orders of the day:

Hon. George Hees (Northumberland): Mr. Speaker, I should like to address a question to the Minister of Finance. What consideration is the government giving to the introduction of incentives to persuade Canadians to invest more of their savings in Canadian development?

SHIPPING

HALIFAX—REQUEST FOR STATEMENT ON SHIPWRECK

On the orders of the day:

Mr. Robert McCleave (Halifax): Mr. Speaker, I have a question for the Minister of Transport of which I gave the hon. gentleman notice. Is he now in a position to report on the inquiry by his department into the recent marine tragedy near the mouth of Halifax harbour?

Hon. J. W. Pickersgill (Minister of Transport): Mr. Speaker, I could not give more than an interim report, as the investigation is not yet complete. I hope to have something more definite to communicate at a very early date.

LABOUR RELATIONS

RAILWAY DISPUTE—APPOINTMENT OF ARBITRATION BOARD

On the orders of the day:

Mr. David Lewis (York South): Mr. Speaker, last Friday I directed a question to the

parliamentary secretary to the Minister of Labour in the absence of that minister. The minister has been unable to be in attendance since, and I am wondering whether the parliamentary secretary is now in a position to reply. May I remind him that the first part of my question was:

—what progress the minister has made in drafting the appropriate regulations and in appointing the board or boards of arbitration to deal with the dispute between the railways and those unions which rejected the terms submitted by Mr. Goldenberg as mediator.

The parliamentary secretary may not be in a position to answer, but if he can I should be grateful.

Mr. B. S. Mackasey (Parliamentary Secretary to Minister of Labour): Mr. Speaker, I have been informed that the progress being made in relation to these regulations is considered by the department to be quite satisfactory, and that some of the recommendations implied in the question by the hon. member last Friday are being taken into consideration.

Mr. Lewis: Mr. Speaker, I rise on a point of order. I asked the parliamentary secretary a question rather than to have him to interpret what I said. I made no recommendations last Friday. I asked whether in drafting the regulations the department intended to deal with the terms of the award. I made no recommendations, and I would thank the hon. member if he did not put words in my mouth.

FISHERIES

NOVA SCOTIA—POSSIBLE EFFECTS OF STORM DAMAGE

On the orders of the day:

Mr. J. M. Forrestall (Halifax): Mr. Speaker, my question is for the Minister of Public Works. In light of the recent series of severe winter storms along the east coast, particularly in the areas of Halifax, Lunenburg and Guysboro counties, I am wondering whether he would have his departmental engineers in that particular district conduct a review of storm damage to ascertain whether there has been any serious damage that might stand in the way of normal spring fishing operations.

Hon. G. J. McIlraith (Minister of Public Works): Mr. Speaker, I will be very glad to take the hon. member's suggestion under consideration and give the matter immediate attention.

[Mr. Lewis.]

CANADA ASSISTANCE PLAN

INQUIRY AS TO PREPARATION OF REGULATIONS UNDER ACT

On the orders of the day:

Mr. W. B. Nesbitt (Oxford): Mr. Speaker, I should like to direct my question to the Minister of National Health and Welfare. Is he now in a position to give us some idea how soon the regulations under the Canada Assistance Act will be approved by at least some of the provinces, in order that many needy people can obtain assistance under this act which was passed last July?

Hon. A. J. MacEachen (Minister of National Health and Welfare): Mr. Speaker, the regulations have been approved by the governor in council and have been published in the *Canada Gazette*. The agreements with the provinces pursuant to the act have been forwarded for signature, and it is now a matter for the provincial governments to come to an agreement and sign the documents. This is the next step, and I hope it will be completed very soon.

Mr. Nesbitt: A supplementary question, Mr. Speaker. Could the minister tell us whether any of the provincial governments have as yet signed these agreements, and could he give us any forecast as to how soon he might expect some signatures on these agreements?

Mr. MacEachen: Mr. Speaker, I hope all the provinces will sign very soon. I do not think I have yet received a returned, signed agreement from any of the provinces.

LABOUR RELATIONS

STATUS OF DISPUTE BETWEEN UPI AND WIRE SERVICE GUILD

On the orders of the day:

Mr. Barry Mather (New Westminster): Mr. Speaker, I had a question I wanted to ask the Minister of Labour, but in his absence perhaps the parliamentary secretary will take it as notice. I want to know whether he can say what is the situation in the dispute between United Press International and the wire service guild. I am receiving letters to the effect that this dispute may lead to a picketing of the parliament buildings because UPI has facilities here. Can he clarify this situation?

Mr. B. S. Mackasey (Parliamentary Secretary to Minister of Labour): Mr. Speaker, in February of last year the wire service guild was certified to begin negotiations

with UPI. These negotiations deteriorated and the services of a conciliation officer were requested in March. This was granted. Then both parties asked for the services of a conciliation board. The board in turn tabled a report in October which contained no recommendations other than that the parties continue negotiation. Finally, in February of this year the guild requested and obtained permission from the minister to take action against the UPI for alleged violation of the I.R.D.I.A., section 46, which stated in effect that UPI allegedly changed working conditions before a collective agreement had been reached. That was in February, and that is precisely how the matter stands at the moment.

VETERANS AFFAIRS

SELECTION OF REPRESENTATIVES FOR COMMEMORATION OF VIMY RIDGE

On the orders of the day:

Mr. Jack McIntosh (Swift Current-Maple Creek): Mr. Speaker, I wish to direct my question to the Minister of Veterans Affairs. I should like to ask whether he has completed the government's guest list, and have all the invitations been forwarded to those veterans who are going to participate in the pilgrimage to Vimy?

Hon. Robert Teillet (Minister of Veterans Affairs): Mr. Speaker, I am not certain that the list has been completed. I believe we are still receiving recommendations from various units throughout the country. We are trying to complete it as quickly as possible, and the letters go out immediately as soon as the names come in.

FINANCE

PROPOSED FURTHER COMMITTEE CONSIDERATION OF BANK ACT AMENDMENTS

On the orders of the day:

Hon. E. D. Fulton (Kamloops): Mr. Speaker, I should like to ask the Minister of Finance a question about the bank legislation. I do so because of the uncertainty as to whether we will be proceeding with the debate today, and the matter is urgent. Has the minister received representations from one of the chartered banks requesting that proposed clause 72 of the bank bill be referred back to the standing committee for further review and representations; and if so, will the minister move immediately that the subject matter be referred to the standing committee on finance?

Hon. Mitchell Sharp (Minister of Finance): Mr. Speaker, I understand that the president of the Royal Bank sent a letter to the chairman of the committee on finance, trade and economic affairs, but not to me. I have received, as the hon. gentleman knows, a letter from him making this suggestion. I have examined into this matter and do not feel it will be necessary to have any hearings on it; and I believe it would interfere with the progress of the bill through the house if the committee were to be sitting while the house was sitting on the same legislation. I believe I can explain to the satisfaction of hon. members the misunderstanding that arose. Certainly the government has no intention of changing the proposal that is contained in the bill.

[*Translation*]

PUBLIC BUILDINGS

OTTAWA—CONTRACT FOR DEMOLITION OF OLD PRINTING BUREAU

On the orders of the day:

Mr. Réal Caouette (Villeneuve): Mr. Speaker, I should like to put a question to the Minister of Public Works.

It deals with the demolition of the former building of the printing bureau. Could the minister tell us why no contractor from Hull has been asked to tender for that demolition work?

Mr. Speaker: This question should be put on the order paper.

Mr. Caouette: Mr. Speaker, at ten o'clock this evening.

[*English*]

INDIAN AFFAIRS

DISTRIBUTION OF HAWTHORN-TREMBLAY REPORT

On the orders of the day:

Mr. Frank Howard (Skeena): Mr. Speaker, I should like to direct a question to the Minister of Industry in his capacity as reporter for the Queen's Printer, and ask the hon. gentleman whether he would consider making the report "A Survey of the Contemporary Indians of Canada", prepared by Professor Hawthorn and tabled today by the Minister of Veteran Affairs, available gratis to all the Indian bands in Canada so they would have an opportunity to see at first hand and without cost to themselves the implications of the some 91 recommendations covering various aspects of Indian activities.

Inquiries of the Ministry

Hon. C. M. Drury (Minister of Industry): Mr. Speaker, the responsibility for this lies with my colleague the Secretary of State. I am sure she has heard the representations and will act on them.

HOUSE OF COMMONS

CONTINUATION IN PARLIAMENT OF LEADER OF OPPOSITION

On the orders of the day:

Mr. Auguste Choquette (Lotbinière): Mr. Speaker, I wish to direct my question to the right hon. Leader of the Opposition in his capacity as one of the first officers in the house. It relates closely to the business of the house. According to a recent press report the hon. member for Brome-Missisquoi (Mr. Grafftey) won a primary. I wish to ask the right hon. Leader of the Opposition whether it is his intention to continue to serve in parliament under the leadership of Heward Grafftey after September 9, 1967.

Some hon. Members: Oh, oh.

Mr. Choquette: Ten o'clock, Mr. Speaker.

VETERANS AFFAIRS

STATEMENT BY U.S. OFFICER RESPECTING CANADIAN TROOPS AT YPRES

On the orders of the day:

Mr. H. W. Herridge (Kootenay West): I wish to address a question to the Minister of Veterans Affairs. Although the United States army officer concerned has apologized for the statement he made in a United States magazine—and I am sure the minister sincerely appreciates this excellent apology—that allied troops fled in the face of the German gas attack at Ypres on April 23, 1915, and in view of the concern this has caused Canadian veterans who took part in that action, for the sake of the record would the minister obtain the facts concerning this battle and place them on the record of this house in a brief paragraph at the first opportunity?

Hon. Roger Teillet (Minister of Veterans Affairs): Mr. Speaker, of course I have read the apology of Colonel Fair and I would agree that it is certainly an apology which we should accept. It was expressed in a gentlemanly manner.

I do not think I can do any better on this occasion than quote Sir John French, the British commander in chief, who wrote in his dispatch on the battle:

> In spite of the danger to which they were exposed the Canadians held their ground with a magnificent display of tenacity and courage; it is not too much to say that the bearing and conduct of these splendid troops averted a disaster which might have been attended with the most serious consequences.

I place this on the record in the belief that this certainly meets the needs of the occasion.

CANADIAN BROADCASTING CORPORATION

FURTHER INFORMATION ON DISTRIBUTION OF COLOUR TELEVISION SETS

On the orders of the day:

Right Hon. J. G. Diefenbaker (Leader of the Opposition): Mr. Speaker, I wish to direct a question to the Secretary of State and ask her whether the C.B.C. has advised her that no further answer would be given regarding the identity of the 107 persons who have received the beneficence of the free use of colour television sets. Does the C.B.C. intend to give an answer? I need that information from the minister before further action can be taken.

Hon. Judy V. LaMarsh (Secretary of State): Mr. Speaker, as the house knows I transmit the answers which are given to me by the C.B.C. I have not had any further information transmitted to me since the C.B.C. provided the answer which was given in the house.

Mr. Diefenbaker: Will the minister ask for an unequivocal answer, if that is possible, from those who run the C.B.C. as to whether this information will be given rather than the expunged record which we received? At the same time will she also find out from the C.B.C.—and let us have an answer to both these questions possibly on Monday—whether the C.B.C. requires regular reports on the quality of C.B.C. television programs from those who are supplied these colour television sets, in the light of the explanation that these sets were supplied to 107 persons, unnamed with the exception of three, for the specific purpose of monitoring programs?

Miss LaMarsh: Mr. Speaker, of course I will convey that question to the C.B.C.

PRIVILEGE

MR. WATSON (CHÂTEAUGUAY-HUNTINGDON-LAPRAIRIE)—PRESS REPORTS ON USE OF INDIAN LANDS

On the orders of the day:

Mr. Ian Watson (Châteauguay-Huntingdon-Laprairie): Mr. Speaker, I wish to raise a point of privilege relating to the Hawthorn report which was tabled this morning, since it

affects my position with regard to my constitutents in Caughnawaga.

Last week reports were circulating in the news media across Canada that the Hawthorn report recommended the removal of Indians from reserves in various areas of Canada, and more particularly the removal of Indians from the Caughnawaga reserve in my constituency, with the land to be used for various industries and apartment buildings. These reports in the news media were then followed by a question in the house put by the hon. member for Skeena, in which he asked whether there was a report recommending that the Caughnawaga Indian reserve be leased to a trust company for development and that the Iroquois people of Caughnawaga be moved elsewhere. He then stated:

> If such a recommendation has been made will the minister reject it as preposterous, monstrous and completely contrary to our concept of human rights?

The member for Skeena then added.

> With all due respect I agree with the second part of your ruling, but this question involves a matter which is of immediate importance affecting the human rights of a number of Canadian citizens who are liable to be moved from their home lands. I think the minister should be given an opportunity to answer.

As soon as the Hawthorn report was tabled this morning I contacted the Indian affairs branch of the department and I asked them where the reference to Caughnawaga appeared in the report. I have been given that reference, and I would like to read it to the house.

Mr. Speaker: Order, please. I am sure the matter to which the hon. member now refers is of great importance to him and to many others, but he must realize that he rose on a question of privilege. I will therefore ask him to state his point of privilege as quickly as possible.

Mr. Watson (Châteauguay-Huntingdon-Laprairie): Mr. Speaker, my point of privilege involves my position as a member and the position of other members of this house. The Caughnawaga people took these reports at their face value and as a result demonstrations which threaten to block several highways leading to Montreal have been scheduled for tomorrow. I would like to clear the air.

Mr. Speaker: Order, please. The hon. member now says he wishes to read part of a report on a question of privilege. To my mind this is not a question of privilege at all. I do not see how the point he has raised can be a question of privilege by any stretch of the imagination. It may be that hon. members would want to hear the representations of the hon. member for Châteauguay-Huntingdon-Laprairie regarding the state of Indians on this particular reservation, but I suggest this cannot be done under the guise of a question of privilege.

Mr. Watson (Châteauguay-Huntingdon-Laprairie): In view of the fact that there appears to have been a leak of this report I feel it is a question of privilege affecting members of this house, and since this is the first opportunity we have had to clear the air on this matter and since it is urgent I would respectfully ask to be allowed to put this on the record.

Mr. Speaker: Order, please. The matter may be extremely urgent and it may be important to put certain information on the record, but certainly it cannot be done by way of a question of privilege.

Right Hon. J. G. Diefenbaker (Leader of the Opposition): Mr. Speaker, I should like to speak on the point of order just raised. There is nothing more important than that our Indian population, and most particularly the Indians of the reserve to which the hon. gentleman has referred, should see justice done. I suggest that the hon. member be given the opportunity to state the case, because the people on the Caughnawaga reserve are being treated in a way that none of us can justify.

Some hon. Members: Hear, hear.

Mr. Speaker: I have already made my decision that there is no prima facie case of privilege. However, if there is unanimous agreement among hon. members that the hon. member for Châteauguay-Huntingdon-Laprairie be allowed to make a statement at this time, which is obviously a very unusual procedure, I certainly will not stand in the way since hon. members are masters of their own procedures.

Some hon. Members: Agreed.

Mr. Watson (Châteauguay-Huntingdon-Laprairie): I will simply read from page 192 of the Hawthorn report:

> In some cases, bands may refuse to lease reserve land that would contribute materially to their revenue where they fear that an influx of outside business or industrial interests may cause disruption in the community and threaten their survival

as a distinct cultural entity. Such has been the reaction, for instance, among the Caughnawaga and Six Nations. While such reactions may be uneconomic in the orthodox sense, they seem justified in terms of human goals and satisfactions. Economic development, after all, is merely a means for fulfilling the goals that a people deem important, and if cultural survival is a prior value of a band's members, they should be given every assistance to use their economic assets to that end.

This, sir, is completely the reverse of the press reports on the Hawthorn report which have been appearing during the past week.

INDUSTRY

AUTOMOBILE AGREEMENT—INQUIRY AS TO POSSIBLE DISSOLUTION

On the orders of the day:

Mr. A. D. Hales (Wellington South): Mr. Speaker, I have a question for the Minister of Industry. Is it a fact that as a result of the great decrease in car sales and the number of unemployed people, the United States-Canada automobile agreement is in danger of falling apart and that certain car manufacturers have asked to be released from certain requirements?

Hon. C. M. Drury (Minister of Industry): I can say quite categorically, Mr. Speaker, that in spite of the down-turn of the market there is no danger of the agreement falling apart.

Mr. Starr: You are sticking with it, regardless of how many people lose their jobs.

Mr. Martin (Essex East): Or how many more get jobs.

Mr. Starr: Where?

Mr. Martin (Essex East): Windsor.

Mr. Hales: Has the minister received an answer to his request to the car manufacturers that the prices of cars to Canadians should be reduced in line with United States prices?

Mr. Drury: We have dealt with this particular question quite frequently. I have pointed out on earlier occasions that progressively since the inception of the pact manufacturers' prices to dealers have declined relative to similar prices in the United States. This trend, I trust, will continue.

Hon. Michael Starr (Ontario): I have a supplementary question for the Prime Minister. I should like to ask him what was the gist of his reply to a letter Mr. George Burt wrote him—Mr. Burt is from Windsor—on March 7, in which he made reference to the Prime Minister's reply in the house on March 2. Mr. Burt alleges the Prime Minister misled the house by not giving the full text of the report of the Economic Council of Canada, and charged the Prime Minister with keeping the truth of the matter from the House of Commons and the Canadian public.

Right Hon. L. B. Pearson (Prime Minister): I will be giving very careful consideration to my hon. friend's question.

NICKEL—REPORTED DEVELOPMENT OF BLACK MARKET

On the orders of the day:

Hon. Jean-Luc Pepin (Minister of Energy, Mines and Resources): Mr. Speaker, a few days ago the hon. member for Moose Mountain (Mr. Southam) asked me about the position of Canadian users of nickel in view of what he referred to as "inflated prices". The Department of Trade and Commerce has been advised by the producers that Canadian users of nickel have been assured of receiving, at producers' prices, at least as much nickel as they consumed in 1966 if they require it. In these circumstances users should not find their competitive position in world markets adversely affected.

HOUSE OF COMMONS

PRESENCE IN GALLERY OF STUDENTS FROM THE UNIVERSITY OF VERMONT

On the orders of the day:

Mr. Heath Macquarrie (Queens): May I direct the attention of the house, and especially of the Prime Minister who is an alumnus of the University of Vermont, to the presence in the gallery of the students and faculty of the Canadian studies division of that excellent and ecumenical institution of learning.

Some hon. Members: Hear, hear.

LABOUR CONDITIONS

CAPE BRETON ISLAND—CRASH TRAINING PROGRAM FOR UNEMPLOYED

On the orders of the day:

Mr. Robert Muir (Cape Breton North and Victoria): My question is for the Minister of Manpower and Immigration. May I ask the hon. gentleman if he is in a position today to reply to a question I posed on March 2, which in his absence was directed to the right hon. Prime Minister, with reference to launching a

crash program of training to assist the unemployed steel workers and others who are unemployed on Cape Breton Island?

Hon. Jean Marchand (Minister of Manpower and Immigration): I think I can answer that question on Monday.

FINANCE

REQUEST FOR REPORT ON FINANCIAL POSITION OF OSHAWA FINANCE CO.

On the orders of the day:

Mr. John Gilbert (Broadview): I have a question for the Minister of Finance. Has he anything to report on the financial condition of Oshawa Acceptance, which unlike the Prudential Finance is a federally incorporated company?

Hon. Mitchell Sharp (Minister of Finance): No, I have no report to make to the house. There is at the present time no legislation on our statute books relating to such companies, and it is for this reason, or more accurately this is one of the reasons I am calling a conference of the provinces and the federal government to repair what I consider to be a serious omission.

EXTERNAL AFFAIRS

REPORTED REDUCTION IN CANADIAN PARTICIPATION IN ANTI-SUBMARINE OPERATIONS

On the orders of the day:

Hon. Gordon Churchill (Winnipeg South Centre): I have a question for the Secretary of State for External Affairs. Is the minister able to give any assurance to the United States authorities, as well as to the Canadian people, that Canada will play its full part in anti-submarine warfare operations instead of withdrawing from that role and relying solely on the United States for the protection of Canada?

Hon. Paul Martin (Secretary of State for External Affairs): The question is falsely based; there have been no suggestions of withdrawal, and my hon. friend knows quite well that that assurance could be given in all good faith.

Mr. Churchill: May I ask a supplementary question. Is the minister aware of the alarm in Washington concerning reports that Canada is reducing her commitment with regard to anti-submarine warfare operations?

Mr. Martin (Essex East): I am aware that there is alarm existing in the mind of my hon. friend.

[*Translation*]

ROYAL CANADIAN MOUNTED POLICE

APPOINTMENT OF UNILINGUAL LIAISON OFFICER WITH EXPO '67

On the orders of the day:

Mr. Gilles Grégoire (Lapointe): Mr. Speaker, I wanted to direct my question to the hon. Solicitor General of Canada. However, in his absence I could perhaps put it to the right hon. Prime Minister.

In view of the equivocal answer given last night by the parliamentary secretary to the hon. Minister of Agriculture (Mr. Beer) with regard to Inspector Ryddel of the Royal Canadian Mounted Police, could the right hon. Prime Minister tell us what are the exact functions of this inspector of the Royal Canadian Mounted Police in Expo '67? Is he actually a liaison officer between the R.C.M.P. and the Expo '67 security service?

Mr. Speaker: This question should be put on the order paper.

[*English*]

RESEARCH

INQUIRY AS TO SUPPORT FOR HEART PROJECT

On the orders of the day:

Mr. Eric A. Winkler (Grey-Bruce): I have a question for the Prime Minister. In view of the assistance given by the government in recent weeks to research projects, one in Montreal and one in British Columbia, is there any program currently under consideration for the support of the heart research project as a result of the Gundy report in Toronto?

Right Hon. L. B. Pearson (Prime Minister): I shall have to look into that question and discuss it with the minister.

AIR CANADA

SUGGESTED INCREASED USE OF WINNIPEG MAINTENANCE BASE

On the orders of the day:

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, may I direct a question to the Minister of Transport. On February 13, February 20 and February 24 the house was assured that the question of the greater use of the maintenance facilities of the Air Canada base at Winnipeg would be discussed with the

management of Air Canada. My question is, was this done and has the minister any progress to report to the house?

Hon. J. W. Pickersgill (Minister of Transport): As a matter of fact, although I recognize it is a hazardous thing to do in replying to the hon. gentleman, I must say my recollection was that I undertook to make certain observations known to Air Canada. This has been done and up to the moment I personally have had no observations from them with respect to these representations.

OLD AGE ASSISTANCE

BRITISH COLUMBIA—DENIAL TO OLD AGE PENSIONERS OF PROVINCIAL SUPPLEMENT

On the orders of the day:

Mrs. Grace MacInnis (Vancouver-Kingsway): My question is directed to the Minister of National Health and Welfare. Is the minister aware that the British Columbia government is blaming the federal government for a situation in which some old age pensioners in British Columbia are being denied the former $30 a month supplementary allowance given by British Columbia? If so, would he clarify this situation?

Mr. Speaker: Order. I do not think the question as asked can be put at this time.

• (11:50 a.m.)

FINANCE

PROVISION FOR FEDERAL PAYMENTS TO PROVINCES

The house resumed, from Thursday, March 9, consideration in committee of Bill No. C-277, to authorize the making of certain fiscal payments to provinces, to authorize the entry into tax collection agreements with provinces, and to amend the Established Programs (Interim Arrangements) Act—Mr. Sharp—Mr. Richard in the chair.

Clauses 2 to 16 inclusive agreed to.

On clause 17—*Failure to file return.*

Mr. Lewis: Mr. Chairman, I am afraid the committee has been going very fast and I may or may not be in order in speaking on this clause. My colleague the hon. member for Burnaby-Coquitlam is out of the chamber for a moment, but the other day he asked the minister whether he would supply certain information and I am wondering whether the minister will do so now. I do not have *Hansard* before me, but the question related to some comparative figures as between the new plan and the old one, as I recall it, particularly in regard to education and the like.

[Mr. Knowles.]

Mr. Sharp: Mr. Chairman, the committee has been proceeding very quickly and perhaps I owe it to the committee, notwithstanding the fact that some of these clauses have been approved, to provide two or three answers asked for when the house was considering the bill on second reading.

The hon. member for Burnaby-Coquitlam raised questions concerning the level of equalization, the distribution of equalization payments, the exclusion of municipal revenues and the inclusion of natural resource revenues in the calculations. Perhaps I might be permitted to give some brief answers to these questions.

If the committee were disposed to equalize all provincial revenues to the level of the top province rather than use the national average basis, the cost would be $2,530 million. On this ground alone I think the committee will agree that at the present time this would not be a desirable redistribution of revenues, considering the level of federal taxes that would have to be imposed in order to effect such redistribution.

Mr. Lewis: That is compared with what, Mr. Chairman?

Mr. Sharp: That compares with $500 million odd included in the tables I placed on the record yesterday when we were on second reading. The various methods of equalizing revenues were very carefully considered, and we came to the conclusion that the change from equalizing the two revenue sources as had been the practice under previous equalization arrangements to equalizing all provincial revenues was a fundamental change of enormous value to all the provinces. Indeed, the additional cost of effecting this change was in the order of hundreds of millions of dollars. It also had the effect of making for a much more equitable distribution of federal assistance.

We looked at the possibility of equalizing to a higher level, but as I have already said the cost was quite unrealistic. To equalize all provincial revenues to the top province would result in a cost to the federal government—that is, a transfer from the federal treasury, or from the taxpayers looked at federally to the taxpayers looked at provincially—in excess of $2.5 billion.

Mr. Douglas: Mr. Chairman, may I ask a question at that point. The minister has attempted to answer by using the process of *reductio ad absurdum*. I do not think anybody suggested that the total revenues be equalized to the top province. Under the present agreement two sources of revenue are equalized to the average of the two top provinces. What I was suggesting yesterday was that instead of bringing those two sources of revenue down to the national average, the equalization should be based on raising the equalization formula to the top province in respect to these two sources of revenue, using the same formula the minister is using now except that it be equated to the top province rather than to the national average.

I feel that going back to the national average is a retrograde step. We did use the national average method at one time, and it went up to the average of the two top provinces. The minister is now going back to the average of all the provinces. I should like to ask the minister what it would cost the federal government to make this transfer if, based on these two sources of revenue, all of the provinces were equalized to the top province.

Mr. Sharp: What the hon. gentleman is suggesting, Mr. Chairman, is that we should revert to the present situation; that is to say, we should continue the present practice of equalizing the two sources of revenue up to the top two provinces. After examining this the government came to the conclusion that this was not an equitable way of equalizing the positions of the provinces. Indeed, one has only to look at the results to realize that the combination of equalizing to the two top provinces on those two sources of taxation and paying the Atlantic provinces grants is not an equitable way of dealing with the situation.

The effect of the change we are now proposing to equalize all provincial revenues is to give more money to the maritime provinces than they received under the Atlantic provinces grants, as well as to effect a very substantial improvement in the position of Quebec, which obviously had received the short end of the stick under the rather hodgepodge arrangements that had been in effect. So I would defend the present proposal most vigorously as being very much superior in its results to the plan we had in effect which equalized the two sources of revenues to the top two provinces.

I can see no logic, of course, in equalizing two of these sources of revenue to the top two provinces and the other sources of revenue to the national average. That would not make any sense whatever. I suggest to the committee that what we have done now in substituting objective tests based upon the existing rates of tax of all the provinces, applied to their existing tax bases, is to take a very forward looking step.

• (12 noon)

Hereafter the amount of equalization payments will be determined by the growth in the general tax base. It will reflect also the changing decisions which the provinces make about their own rates of taxation. All this is taken into account. The new formula looks very complicated, and it is, but it has great virtues which I have indicated; namely, it is objective, and the results are determined by developments in the economy and the taxes imposed by the provinces themselves. It is a system which operates automatically and objectively without the federal government having to interpose judgments as to relative needs. The payments are based upon objective tests which I would recommend as being very equitable.

Mr. Douglas: The only way of knowing how equitable they are is to look at the figures. The minister has given us a comparison; he placed the figures on record in *Hansard* yesterday. It is not a very good comparison, because the hon. gentleman has taken figures showing the equalization payments in the present fiscal year and compared them with the payments which will be made during the next fiscal year under the proposed arrangements.

This comparison, I suggest, is misleading in the first place. Surely if he is making comparisons he ought to make a comparison between the results of the present arrangements for this fiscal year and what the benefit to the provinces would have been if this formula were applied in the present fiscal year. Or he ought to have taken the next fiscal year and compared the results under the present formula with those which would be obtained under the arrangements now proposed. The minister has given us figures which I do not believe are really comparable.

Even on the basis of his own figures, on the basis of the total payments to the provinces it is significant that the change would mean an increase in payments to Newfoundland of $29.2 million while Prince Edward Island,

which has a very limited tax base and extremely limited development resources, with little prospect of getting revenue from resource development, would receive an additional $3.5 million. If one looks at the figures the minister has given us on the basis of per capita payments, the increase for Newfoundland is $55.25 while for Prince Edward Island it is only $29.78.

Mr. Sharp: Taking all the proposed transfers it is $45 per capita.

Mr. Douglas: I was taking the amounts tabled here.

Mr. Sharp: I gave two tables yesterday.

Mr. Douglas: Yes, but we are talking now about the equalization payments. In all the experience I have had with tax sharing arrangements I cannot remember a time when Prince Edward Island did not have the highest per capita benefits derived from this redistribution of tax revenue. Now, for the first time, Prince Edward Island will drop to second place under this tax sharing proposal.

I am not arguing that Newfoundland is getting too much, but it seems to me there is something wrong about a formula which gives Newfoundland a return per capita of $129.90 while giving Prince Edward Island $127.02. It seems to me that the formula is not producing the equity which the minister says it was designed to produce.

Mr. Sharp: May I answer the first question asked by the hon. member. I cannot give a comparison between the two formulae for the fiscal year 1967-68, but I can do so for the year 1966-67 on the same basis. I provided this comparison to the tax structure committee in September, 1966 and it is to be found at page 17 of the report. These figures may have been slightly changed, indeed they have been, but the changes are so small as to be insignificant.

Under the present arrangements for the year 1966-67, equalization payments on the basis of the earlier calculation would amount to $353 million. They are down in the new tables as $354 million, a slight correction. Had the proposed arrangements been applied to the same year the cost would have been $491.5 million. That is a direct comparison.

Mr. Lewis: I think the minister gave an earlier table on the new basis for the year 1966-67 and put it on record at page 13687 of *Hansard*. The total shown there is, I think, $494 million.

[Mr. Douglas.]

Mr. Sharp: Yes. I think we are both looking at the same figures. I had forgotten I had placed the same figures on the record in *Hansard*. They were based on an earlier calculation, but in any case the totals are approximately $350 million in 1966-67 and $490 million under the new arrangements had those arrangements applied in that year.

May I add one further comment on the changes. One of the great difficulties when shifting from an inferior to a superior method of calculating equalization is that the change is bound to have different results when one looks at the position of the various provinces. Indeed, every time the basis has been changed there have been pleas that there should be the same percentage improvement in the position of everyone. Otherwise someone is thought to be getting the short end of the stick.

In fact if one takes the whole of the proposed arrangements, including the fiscal transfers relating to the new education offer, the province of Prince Edward Island is still the largest per capita recipient. On the basis of equalization alone, per capita payments to Prince Edward Island rise from $97 to $127, as the hon. member has pointed out. It is true that Newfoundland, which apparently was not as well looked after as it should have been, will benefit by an increase in the per capita grant from $74 to nearly $130, but the fact that Prince Edward Island is now second is really a tribute to the progress of P.E.I. and certainly should not be a reason for criticism. It is, I suppose, the outcome of somewhat better performance in economic terms.

• (12:10 p.m.)

Mr. Lewis: Mr. Chairman, I want to raise a different point. I appreciate that the proposal does not deal with this point at all, although the hon. member for Burnaby-Coquitlam drew attention to it yesterday. To me it has great importance. In passing I may say that the minister recommended his new proposal highly, and one of the reasons he gave was that it obviated the necessity for the federal government to make any judgment. I can only say, in view of some judgments we have experienced, that this is certainly a recommendation for the proposal. But seriously, Mr. Chairman, the minister says this proposal is objective because it sort of automatically takes into consideration certain statistical factors which occur.

From that point of view it is objective, but a much more important basis for reallocation

of funds is the question of need in the provinces. I appreciate that that, of course, is reflected to some extent in the provincial tax structure, but not necessarily so. You may easily have a provincial régime that does not meet need and does not impose taxes which it ought to have imposed in order to meet certain social needs. The result is that it will keep its level of revenue low and get more out of this arrangement. Whether that is a good thing for Canada is a different story, but my major aim in speaking—and this is not in criticism of the minister—is to ask whether this was considered at all, or whether any studies are being initiated to deal with it.

The major problem I see in all these proposals is that municipal revenues and taxes are ignored. When you had a comparison at one time of only three sources of revenue and gave them the weight for equalization purposes, and later only two sources of revenue, you were of course in a sense being arbitrarily selective as to the basis of your comparison. But the moment you go to all the sources of revenue in a province and submit them to a national average, I respectfully suggest you are not dealing with the whole problem when you do not include in that consideration the needs of the municipalities and the revenues which they have to raise.

I repeat that if you take only a few sources of revenue you are making an arbitrary decision and the rest is not counted; but the moment you try to erect a structure on a basis which pretends to include, and is intended to include the total revenues of each of the provinces, geared to the total average of all the provinces for the purposes of equalization to bring everybody up to that average, then if you ignore the increased cost of welfare, education and all the other activities which the municipalities have to perform you are ignoring a very important part of the taxes raised in this country.

I am particularly concerned about that, as I am sure are all other members, because as the result of our constitutional arrangements and for other reasons the municipalities are limited almost entirely to perhaps the worst kind of tax, the tax on the home owner, which is unrelated to need, which is ungraduated, and which in most cases is a very great hardship on the lower income people.

I do not know if the minister and his advisers have considered whether it is possible to take municipal revenues into account and get the municipal picture as part of the total picture we are comparing. If they have not, I would like to ask whether some studies will be made in that direction. I do not think I misunderstand the situation in Canada in this case, and I do think it is an important matter about which to be concerned.

Mr. Sharp: Mr. Chairman, I can assure the hon. member for York South that the government did look very carefully at alternatives including the equalization of municipal revenues as well as provincial revenues. For the information of the committee, the cost of averaging all municipal revenues on the same formula that we use to equalize provincial revenues would be approximately an additional $200 million for the year 1966-67, which was the year to which we applied our formula.

However, we decided, at least for the time being, that this would be going a very long way, apart altogether from the additional revenues we would have to raise for this purpose, because in fact the provinces themselves do not equalize the positions of their municipalities. For the federal government to move ahead of the provinces in this respect seems to me to be of rather doubtful wisdom. The time may come when the principle of the equalization of municipal revenues should be considered, but I should think it would be for the provinces to take much greater initiative in this direction before the federal government did so.

Mr. Lewis: If that is the reason then I could not protest more strongly. Each time there is a desirable national goal, desirable from every social consideration, the federal government takes refuge, when it can, by saying "It would be too bad if we went ahead of the provinces." Why is it too bad? In a federal country what is the purpose of a federal authority if not to give some leadership to the country? If we are merely the sum of ten provinces then we do not need all this elaborate stuff that we have got in the federal government and federal parliament. We should take the responsibility of giving leadership, of indicating a road which is desirable to follow.

Because the minister has more staff at his beck and call than I have, he knows more than I do about this subject, but the fact is that some equalization does take place in some of the provinces, and the fact is that inequality of municipal burdens is one of the most difficult problems in Canada today. The undesirability and the inequity of most municipal taxes are one of the most serious problems facing the ordinary people of

Canada. From the figures I have seen in recent years it is clear that the cost of primary and secondary education is a problem as acute for the municipalities as is post-secondary education for the provinces and the federal government. Merely to say that because the provinces are not equalizing municipal revenues and taxes when we should not take any step in that direction simply does not impress me at all. It seems to me to be a complete abdication of leadership in an area where leadership is sorely needed.

Mr. Pepin: It might impress some of your supporters in Quebec.

Mr. Lewis: I did not hear the minister's remark.

Mr. Pepin: The fact that the federal government is not interfering in municipal affairs might impress some people, like your supporters in Quebec.

Mr. Lewis: Not only is the latter part of the minister's remark inaccurate, but may I put something to him in a way which I hope will not too greatly offend him.

• (12:20 p.m.)

When I was bringing up my children, before they become 18, when they would be independent, one of the things I always said to them was that they ought to learn to listen with their ears instead of their prejudices. The minister ought to learn that too, because I did not for one moment suggest that he should interfere in municipal affairs. I did not for one moment suggest that the federal government should take any steps which would in any way invade the municipal government area. I asked the minister whether they took into account municipal revenues, and his answer was that it would cost $200 million more, which I suggest is not a very serious problem in the context in which we are discussing it. Then he went on to say that the provinces must take the lead in equalizing municipal revenues before the federal government steps in.

I am not asking the minister to produce this tomorrow; he does not do things in that way. I suggest that the Minister of Finance meet the various provincial governments and discuss with them a method to equalize municipal finances, or do something to assist in this situation. The minister must have known that was what I had in mind.

I am neither suggesting an amendment to this bill nor asking that the minister bring one in. I merely suggest that the way to do this is for the federal and provincial governments to take a very careful, concerted look at this painful problem of municipal need and municipal taxation across the country, as well as the requirement for the federal government to give some leadership in stimulating the provincial governments to take steps to remove some of the unbearable burden which the small home owner now carries and make possible a greater equality of social service and treatment for these people across Canada.

In the municipalities and similar smaller jurisdictions occur a great many of the things which affect the daily lives of the people. This is the level of government which is responsible for it. It is for this reason that I have raised the matter. I quite accept the fact that the minister could not give an answer to that kind of difficult problem at the snap of a finger. If I became a little strong in my wording it was because I am personally fed up to the teeth with the tendency on the part of this government to refuse to take any leadership in matters which require urgent and constant responsibility at this level of government.

Mr. Sharp: May I say a word in an effort to reduce the temperature of my hon. friend from York South?

Mr. Lewis: I do not know that you should.

Mr. Sharp: The effect of the equalization proposals we have placed before the house is to help the provinces which want to help their municipalities. If the provinces wish to transfer part of the responsibility from the municipal to the provincial taxpayer, we will equalize that source of revenue. Therefore I say to the hon. member that perhaps he has misunderstood the purpose of the proposal we have put forward.

May I add one other thing. Even if we were to include municipal revenues, the effect would not be to help the municipalities in any province which had a standard of tax capacity higher than the average. It would not help the municipalities of Ontario. They still would not receive any equalization payments from the federal government, because they still would be in a better fiscal position in relation to the provinces and municipalities elsewhere. The same would be true of British Columbia. This proposal is only a means of redistributing the revenues so as to bring the tax revenues of the poorer provinces up to a national average so that rates of taxation higher than normal do not have to be applied

by them in order to raise the necessary revenues to produce a reasonable standard of services.

Mr. Lewis: I appreciate the fact that provinces like Ontario and British Columbia would not likely benefit any more than they do now, but would it not follow that the other provinces which are in dire need of added revenue, because of their tax capacities certainly would receive more money? If there is an additional amount of $200 million someone must get that money. So this $200 million obviously would go to those provinces and in turn to their municipalities for the general improvement of their social and educational services.

I believe I understood what the minister said when he stated that if the provinces were to take over more of the municipal costs and thereby increase their taxes there would be a certain situation. I am not quite sure, however, that the situation would help the have-not provinces. If they increased their share of municipal costs and their tax revenues the result would be that they would receive less equalization and not more. If a have-not province which now receives an equalization grant were to take over some of the expenses of the municipalities and increase its tax level to deal with this, then of course its equalization grant would drop rather than increase.

Mr. Sharp: It would go up. This is a very important point. Perhaps I ought to underline it again. The great virtue of the new system of equalization payments being introduced now is that it will be objective and automatic. It will take into account the taxes imposed by the provinces and the taxable capacity of each of the provinces in relation to the whole country. Therefore if the provinces as a whole, or any of them, decide to raise the present level of taxation this would affect the national average and would result in more being paid to the provinces which imposed taxes additional to what they are raising from their own taxpayers.

Mr. Lewis: Mr. Chairman, I do not intend to continue this much further—

The Acting Chairman (Mr. Richard): Order. Unless the hon. member for York South wishes to ask only a short question, the hon. member for Kamloops wishes to speak and I think he should be given the opportunity.

Mr. Fulton: Mr. Chairman, if the hon. member for York South wishes to complete a certain point I would be glad to wait.

Mr. Lewis: I am grateful to the hon. member. This is not the first time the minister has made mathematical assertions which with the greatest of respect I suggest have no validity. The minister knows perfectly well that if Newfoundland or Prince Edward Island should raise their provincial taxes as a result of taking over municipal costs, the effect on the national average would be almost nil. When you have a small community with a small revenue, what effect would that have on the national average? A province like Ontario, Quebec, or at least British Columbia or Alberta, would have to be involved in order that the national average would be affected in any degree which would be of value to anybody. If we have in mind the four Atlantic provinces which have a relatively small revenue in relation to the total on which the national average is based, obviously an increase which would fall within their reach would have almost no effect on the national average. I suggest that the minister's answer on this point just does not hold water.

• (12:30 p.m.)

Mr. Fulton: Mr. Chairman, I should like to ask the minister what discussions if any have been held and what discussions are contemplated with the provinces with a view to assisting the provinces to relieve the municipalities from the increasing burden of taxation for education. The provinces get assistance under this bill in respect of the cost of post-secondary education; and what I should like to know is whether, if a province assumes an increasing or extra share of the cost, thereby relieving the municipalities of that amount, it will get higher assistance from the federal government. Because surely this would encourage the provinces to take over that burden, and I feel strongly that the only way we are going to get an ultimate settlement in respect of the cost of education—the only way we are going to get the level of education brought within the means of our people—is through this kind of assistance. The more this cost is loaded directly on the municipal taxpayer, the property owner, the less able is this country to provide the kind of educational program this country increasingly needs.

Will the minister indicate what discussions have been held or are contemplated with the provinces with a view to working out a system under which, if a province assumes an extra cost in relation to education thereby relieving the municipalities, the province will be assisted by the federal government or the

national treasury in order that we will in effect have a national solution to a national problem?

Mr. Sharp: To the extent that we are transferring to the provinces increasing sources of revenue, as the tables I have distributed show, between 1966-67 and 1967-68 we are making available to the provinces in one way or another something like $375 million more. These revenues are distributed in various ways. Some provinces get more than others, but to that extent we are putting the provinces in a better position to discharge their responsibilities generally and thereby putting them in a better position to take on other responsibilities or to finance them.

Let me point this out, and it relates to the point made by the hon. member for York South whose comments I think were fair in relation to what I said, and I did not mean in any way to mislead the house. If, for example, other provinces were to follow the New Brunswick lead in taking over responsibilities for education this would result in very substantial increases in equalization payments to all provinces. For example, if some of the larger provinces followed New Brunswick's lead there would be a very substantial effects upon the level of equalization payments.

Mr. Douglas: In the meantime, unfortunately New Brunswick would suffer from that.

Mr. Sharp: No, it would not suffer. It has acted in the interest of the taxpayers of New Brunswick and I think it made a sound decision. To the extent that other provinces follow that lead the transfer of revenues from the federal government to the provinces will increase to the benefit of New Brunswick and the other provinces.

Mr. Fulton: It is a well understood principle, I suppose, that ministers of finance do not normally encourage provinces to follow policies which will result in the minister on behalf of Canada passing out more money to them. But I hope this minister will vary that rule because I feel strongly, and I think this feeling is generally shared, that we need a nation-wide effort to find a solution to this increasingly acute problem of bearing the costs of education.

So let me come back to my question. To what extent have there been discussions or has any plan been made to hold discussions with the provinces to encourage them to follow the general pattern that has been mentioned of assuming more of the cost of education, thereby relieving the municipalities, so that ultimately we can have the resources of this nation, through the federal government, placed behind provincial efforts to bring about the equitable distribution of the burden of education costs? Are such discussions contemplated?

Mr. Sharp: I cannot say that we have any specific discussions in mind along those lines, but I am confident that at the next meeting of the tax structure committee the implications of the equalization proposals now under discussion will be well understood by the provinces. We now have a plan in effect that is both objective and, it seems to me, tends to support the right kind of development in our tax structure.

Mr. Nowlan: Is there any objection to the suggestion of the hon. member for Burnaby-Coquitlam relating to the production of a comparison between the present and the proposed fiscal arrangements for this year, rather than the two years together which certainly gives a false comparison? Is there any objection to that production?

I should like to ask another question relating to the national problem of sharing tax revenues between the federal and provincial governments. This whole process has created a fundamental and persistent constitutional problem. Perhaps the minister would give us some interpretation of these objective tests without getting into great detail in respect of the equalization formula.

After 90 years the Atlantic area achieved the Atlantic provinces adjustment grants. It is my understanding that as a result of the proposals before us these grants will disappear under the over-all equalization formula. Am I right in stating that the Atlantic provinces adjustment grants will no longer be a fact of fiscal life in Canada, and have the special needs and responsibilities of the Atlantic area, which does not have the tax capacity of other areas in Canada, been taken into consideration in respect of the objective tests that have been discussed?

Mr. Sharp: Mr. Chairman, perhaps the hon. member for Digby-Annapolis-Kings was not in the house when I gave the tax structure committee figures for the year 1966-67, which is the same year of comparison. The table I placed in *Hansard* on March 2 appears at pages 13686 and 13687. The exact comparisons

the hon. gentleman is asking for appear at the bottom of that table in respect of provinces as well as on a national basis.

At the bottom of the table on page 13687 in numbered lines 10 and 11 there is the comparison the hon. gentleman wants. It shows, for example, an increase in the year 1966-67 from $354 million, which would be the yield under the present arrangements, to $494 million under the proposed arrangements if applied to the same year. In other words, in applying the proposals to the same year the increase would be roughly $140 million. Let me put this another way. If the provinces had this choice last year they would have selected the new arrangements because they would have been advantageous to all of them collectively to the extent of $140 million.

Let me draw attention to the figures in respect of the province of Nova Scotia in which the hon. gentleman is most interested. The increase would have been from $50 million to $69 million. I can assure the hon. member that all of the Atlantic provinces with the exception of Prince Edward Island, which chose the other alternative, would prefer the present equalization arrangement to a continuation of the Atlantic provinces grants.

Mr. Nowlan: Perhaps I could follow that up. I thank the minister for pointing out this comparison. I appreciate that under the proposed formula there will be more money, but what does concern me is this. Ten years ago there was such a thing as an Atlantic adjustment grant. That legislation was put into effect in recognition of certain special circumstances relating to limited tax capacity.

Under the proposed equalization formula, even though more money will be available for the next year is the principle of special consideration being wiped out?

• (12:40 p.m.)

Mr. Sharp: Mr. Chairman, I would point to clause 9 of the bill wherein a guarantee is given, which I think will perhaps satisfy the hon. member, that the Atlantic provinces adjustment grants, although they have been superseded by superior arrangements, are still embedded in the bill and provide a sort of guarantee.

Mr. Nowlan: I have one last question, Mr. Chairman. I appreciate that clause 9 contains the floor and base for the individual Atlantic provinces. Nova Scotia is dealt with there. Is that base calculated on the basis of the present Atlantic provinces adjustment grants?

Mr. Sharp: Yes, Mr. Chairman, these figures are the present Atlantic provinces adjustment grants.

Mr. Herridge: Mr. Chairman, as a member from British Columbia, and in an effort to be helpful, I should like to ask the minister a question. The minister knows that our premier has repeatedly told us that our province is completely debt free. I assume the premier has informed the minister of that fact, and we are proud of it.

Mr. Sharp: Mr. Chairman, would the hon. member permit a question? How can it be that a province in such a very strong financial position should have asked me for a $100 million loan?

Mr. Herridge: That is just the point I was coming to, Mr. Chairman. I want to ask the minister this question. It is apparently obvious now that the government of British Columbia will be short by about $100 million with respect to building the projects under the Columbia river treaty. They will be short this amount of money after taking into consideration what they have received from the United States government for this purpose. The premier of British Columbia has asked for a loan of $100 million in this connection. My question is: Under the circumstances, what should the premier of British Columbia do? How should he approach this question to receive favourable consideration of his request from the Minister of Finance?

Mr. Sharp: Mr. Chairman, I am surprised at the modesty of my hon. friend. I thought that his championing of the cause of the premier of that province would certainly guarantee as much success as is possible.

Mr. Patterson: Mr. Chairman, the minister made a remark about the possible change in the financial status of British Columbia that would prompt the premier to request a loan of $100 million. I wonder whether there is any change in the financial position of the federal government, because after stating that several hundred million dollars were available just for the asking the Minister of Finance has now rejected the request of the premier of British Columbia for this loan.

Mr. Sharp: Mr. Chairman, if the hon. member had read my reply to the premier of British Columbia he would have seen that I asked only that British Columbia act as all other provinces have in putting forward a

well substantiated claim setting out the particular circumstances that would justify the federal government breaking with tradition and financing provincial hydro developments in this country. In respect of all other provinces, when requests have been made they have come about as the result of long, detailed negotiation in which the provinces concerned have placed before the federal government a detailed statement of why they needed the money. I said to the premier of British Columbia the other day, in replying to his wire, that the federal government would be very happy to deal with the province of British Columbia as it has dealt with all other provinces in which special arrangements have been made.

Mr. Johnston: Mr. Chairman, the minister has pointed out the way in which he says the provinces should go about seeking loans of this type. I wonder whether the minister would hold a seminar for the Liberal members from British Columbia in order to explain thoroughly to them that this is the way to go about obtaining such a loan?

Mr. Sharp: I suggest, Mr. Chairman, that the seminar should not be conducted by the Social Credit members from British Columbia. I think it would only confuse the issue still more.

Mr. Patterson: Mr. Chairman, we have heard a lot of these snide remarks from the Minister of Finance in the last few days. I should like to ask him whether he has any understanding at all of what Social Credit stands for and, if he has, would he indicate it to the committee? I think it might possibly clarify the situation.

Miss LaMarsh: Who has any such understanding?

Mr. Sharp: Mr. Chairman, I have been trying for most of my adult life to understand Social Credit, I have not succeeded very well. But what has puzzled me even more is how anyone could accept these doctrines.

Mr. Patterson: Mr. Chairman, I think ridicule is the weapon of the ignorant. The Minister of Finance has stated that Social Credit principles and philosophy are completely "out" as far as his ideas are concerned, but he now acknowledges that he does not know anything about them. A number of years ago a resolution was passed in the United States which called for the implementation of Social Credit, and I think the minister would do well to read the records and the evidence given at that time.

Mr. Herridge: Mr. Chairman, before this brief debate terminates I wish to make known that it is the intention of the hon. member for Kootenay West to participate in the debate on the Bank of Canada amendment bill. At that time I am going to deal with some aspects of Social Credit in respect of which I fully support my colleagues to the left.

Mr. Barnett: Mr. Chairman, I think we have been led astray a little from the point originally raised. The Minister of Finance led us away from the point by starting this dissertation on Social Credit. As I understand it, the question of this $100 million loan really has nothing to do with Social Credit principles or philosophy—

Miss LaMarsh: Or the bill.

Mr. Barnett: —unless, of course, we are going to be social by handing over $100 million without any questions being asked. It seems to me that the really relevant question raised by hon. members to my left was the one about the holding of a seminar. My suggestion, for the benefit of other hon. members from British Columbia who are displaying an interest in this question, would be that the Minister of Finance sponsor a seminar in Ottawa to which he would invite the members of the cabinet of British Columbia in order to acquaint them with some of the fundamentals in discussing serious financial questions, without any suggestion that the seminar have as one of the items for discussion what is philosophically referred to here as Social Credit.

Mr. Cowan: Mr. Chairman, since we are bandying about the question of this $100 million loan, I wonder whether I might ask the Social Credit members from the province of Quebec whether that province has repaid the $100 million that the province of British Columbia was kind enough to lend them a year or two ago?

An hon. Member: They have paid the interest.

Mr. Cowan: They have repaid British Columbia under the equalization payments, but I am not certain whether the debt has yet been repaid. I think this points out that the Liberal government of Mr. Lesage understood Social Credit at the time and knew where to get $100 million.

Mr. Fawcett: Mr. Chairman, we appreciate the co-operation of the Minister of Finance in answering some of the questions raised yesterday. I should like to refer in particular to the question raised by the hon. member for Edmonton West and also the hon. member for Burnaby-Coquitlam. It concerns the determination of revenue sources as set forth in clause 8 (d) (xi) which reads as follows:

• (12:50 p.m.)

(xi) sales of Crown leases and reservations on oil and natural gas lands,

Both hon. members pointed out that these are capital assets and should not be taken into account in determining revenue sources. In the majority of cases they are a type of asset that cannot be replaced. I would ask the Minister of Finance to answer that question for us.

Mr. Sharp: I am happy to do so, Mr. Chairman. In dealing with natural resource revenues the federal government has simply accepted the practice of the provinces. Under the formula the federal government has undertaken to equalize the provincial revenues as reported in their public accounts. All provinces treat their natural resource revenues as current revenues and the federal government proposes to equalize all current provincial revenues. Also the revenues equalized will be the current net general revenues of the provinces, and the federal government will follow provincial practice. Provincial services are financed by revenues the provinces derive from different sources. It is not so much the source of the revenue which is important for financing provincial services but the amount of revenue at the disposal of provincial governments.

Clause agreed to.

Clauses 18 to 24 inclusive agreed to.

Clause 1 agreed to.

Title agreed to.

Bill reported.

The Acting Speaker (Mr. Richard): When shall the said bill be read the third time?

Some hon. Members: By leave, now.

Mr. Sharp moved the third reading of the bill.

Motion agreed to and bill read the third time and passed.

Mr. Monteith: Mr. Speaker, I wonder whether we may call it one o'clock and after lunch proceed with item 86?

Mr. Sharp: I was going to make the same suggestion, Mr. Speaker. It is possible that we may be able to proceed with the Bank of Canada Act after the luncheon adjournment. The missing documentation in French has been provided and I am hopeful that we may be able to proceed at that time. If not, we will call one of the other items already announced.

The Acting Speaker (Mr. Richard): Pursuant to the order made on Friday, March 3, this sitting stands suspended until two o'clock this afternoon.

SITTING SUSPENDED

SITTING RESUMED

The house resumed at 2 p.m.

PENSIONS

PROVISION FOR REGULATION OF PRIVATE PLANS

Hon. G. J. McIlraith (for the Minister of Finance) moved the second reading of Bill No. C-221, respecting pension plans organized and administered for the benefit of persons employed in connection with certain federal works, undertakings and businesses.

Mr. Jean Chrétien (Parliamentary Secretary to Minister of Finance): In moving second reading of this bill, Mr. Speaker, I should like to say a few words in explanation of the background and contents since it is a bill which did not require a resolution prior to being given first reading on July 7 and was not subject to any detailed explanation at that time.

Hon. members will recall that the former minister of finance announced the government's intention to introduce legislation of this nature when speaking in the House of Commons on December 18, 1964. At that time legislation relating to the portability and solvency of private pension plans applicable to employment under provincial jurisdiction had already come into force in the province of Ontario. In October of that year an interprovincial conference on uniform pension legislation was convened with the object of developing a model act which could be approved by provincial authorities and submitted to their legislatures in the hope that there might be uniformity of conditions to which pension plans in employment under provincial jurisdiction across the country would be subject.

This government then decided that as soon as there was the widest measure of agreement as to the approach to be taken by the provinces to this problem as it applied to employment under provincial jurisdiction, the federal government, as a measure of co-operation with the provinces, would introduce similar legislation applicable to employment in works, undertakings and businesses under the jurisdiction of parliament. Since then the legislatures of the provinces of Quebec and Alberta have passed similar legislation and it is now in force. The legislatures of the provinces of Manitoba and Saskatchewan have recently introduced such legislation. Certain other provinces have expressed their interest in similar legislation, so that the introduction of this bill at this time is in accordance with the intent expressed in 1964.

The bill before the house is based on the model act which was developed at the conference on uniform pension legislation at which federal officials were present. There are, of course, a number of changes necessitated by the slightly different role of the federal government. On the other hand, since the bill covers any works, undertakings or businesses of a local or private nature in the Yukon Territory or the Northwest Territories, the role of the federal government in this regard will be similar to that of the provincial governments, in dealing with pension plans in employment under provincial jurisdiction. I should add that this inclusion of the pension plans in these territories was made at the request of the territorial governments concerned.

• (2:10 p.m.)

The administration of this legislation will be handled on behalf of the Minister of Finance (Mr. Sharp) by the Department of Insurance, which will have responsibility for the registration and continuing review of the pension plans which are subject to the bill once it becomes law. In accordance with the approach followed in the model act to which I referred, the standards for registration are spelled out in the bill but the detailed provisions dealing with the handling of pension funds have been left to regulation.

The qualification date to which many of the provisions in this bill are related is defined as the first of January, 1967. This date was included when it was hoped that this bill might have been passed well in advance of that date. Therefore in order to give the administrators of the pension plans affected by it enough time in which to amend their pension plans, when the relevant clause is reached at the committee stage the government plans to move that the definition of the qualification date be amended to read October 1, 1967 instead of January 1, 1967.

The bill contains registration provisions requiring the employers to whom it applies to file their existing plans and any amendments to them with the Superintendent of Insurance. The same requirements apply to new pension plans as they may be developed.

In this connection I would like to make it clear that the bill contains no provisions requiring that a pension plan be introduced where none exists now, or which prevent a plan from being terminated. Neither does the bill require that all employees of an employer must be members of the plan. However, it does require that a plan must meet the requirements of the legislation so long as the plan remains in force.

In the case of termination or winding-up of a pension plan, there are provisions dealing with the application of all pension fund moneys in order to provide deferred or immediate pensions for both former and present members of the plan in accordance with their respective entitlements.

The standards for registration require that these pension plans must provide for the so-called "locking-in" of certain contributions made after the proposed qualification date of October 1, 1967. This will mean that any member of the pension plan who has attained the age of 45 and who has been in the service of the employer for a continuous period of ten years, or has been a member of the plan for ten years, shall be entitled under the plan upon retirement or termination of his service to a deferred or immediate annuity, depending on whether or not he has reached retirement age. This annuity must be related to at least his service under the plan after the qualification date. These "locking-in" requirements do not apply to contributions for service before the qualification date or to voluntary additional contributions.

There is nothing to prevent a plan from having the "locking-in" provisions apply from an earlier age or in respect of service for less than ten years. Limited payments of lump sum amounts is also permitted in cases where the monthly pension under the plan would be less than $10. In addition, a plan may provide for payment of a lump sum not exceeding 25 per cent of the commuted value of the deferred annuity benefit. This may be paid upon

or after the termination of service of a member of the plan before he attains the retirement age under that plan.

There is nothing to prevent a plan from providing for the payment of reduced or increased annuities because of early or deferred commencement of payment. Reduction in the amount of an annuity before it commences is also permitted in order to provide for survivor benefits, for example. Variation in the amount of the annuity in order to take account of pensions payable under the Old Age Security Act, the Canada Pension Plan or the Quebec Pension Plan is also permitted. These plans must meet the funding and solvency requirements to be set out in the regulations as well as meet the requirements for investment fund moneys. These requirements are also to be prescribed by regulation.

In view of the keen interest which has been evidenced and the indication of the acceptability which was given of the policy behind this legislation, particularly when the Statute Law (Superannuation) Amendment Act, 1966 was before the special joint committee on the public service of Canada, I feel certain that the provisions of this bill will commend themselves to hon. members.

Hon. J. W. Monteith (Perth): Mr. Speaker, I shall be very brief. As the parliamentary secretary has outlined, this bill was given first reading on July 7, 1966. At that time the minister gave a very brief explanation which really did not give us any information whatever. Today the parliamentary secretary has given some further details, but I think it is obvious that we will have to question him when we reach committee stage.

The parliamentary secretary intimated that this legislation is similar to that passed by the provinces of Alberta, Ontario and Quebec, and that the Yukon and the Northwest Territories are included in the over-all picture. The parliamentary secretary outlined several requirements of the legislation and also mentioned a few of the things which would not be requirements under the act. I am wondering whether the clauses of this bill and the requirements under the bill have been discussed with and approved by any employee groups. For instance, as I understand the bill the Canada Pension Plan is to be co-ordinated with certain other plans, or this may take place. Have any employee groups objected to this particular provision?

I understand that provision is also made for portability, and that is a good thing. I think we will have to wait and see what further information we can get when we discuss the individual clauses of the bill.

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, I well remember the occasion on December 18, 1964, well over two years ago, when the then minister of finance, now head of a committee that has a certain task force under it, announced that there would be federal legislation providing for the protection of pensions coming within federal jurisdiction. We welcomed that announcement. As the record will show, we have asked repeatedly for the implementation of that commitment. We are sorry it has taken so long for it to be implemented but we are pleased that the legislation is now before us.

• (2:20 p.m.)

Let me say at the outset that this is the kind of legislation which can lead to misunderstanding and confusion. I would hope that the public relations services which seem to be available to the government in respect of some other matters might be used with respect to this measure.

The first type of confusion which arises quite easily concerns the kind of coverage the bill provides. Whenever a reference is made to matters coming under federal jurisdiction, particularly if those matters relate to employees, many people get the notion that we are talking about employees of the government. I hope it can be made clear that this is not the case with respect to the legislation before us. This legislation concerns itself with employees who come under the federal labour code—employees who work on the railways, in communications, banks and so on. In other words, they work mainly for employers outside the government but they are in the kinds of labour which are regarded as coming under federal jurisdiction. To put it in another way, this bill will cover employees who are within the jurisdiction of the Canada Labour (Standards) Code and the Canada Labour (Safety) Code as well as the Industrial Relations and Disputes Investigation Act. This is a confusion which in the nature of things is bound to continue, I suppose, but I hope that at least we can get things straight here in this house.

The other source of confusion in legislation of this kind is demonstrated by the fact that already workers who are affected by it are divided in their opinions about it. Some feel that this is simply legislation which locks in their pension contributions and denies them access to money that they may have regarded

in the past as though it were money in the bank. Other employees realize that because many private pension plans have had tricks played with them—some, indeed, have not been able to pay the pensions they were supposed to pay—what this legislation does is to protect the rights of employees in their own pension plans. That makes it good legislation. Indeed, one of the reasons we have pressed for this legislation and one of the reasons we need it is precisely because the history of pension plans in this country demonstrates the necessity for protection of this kind for the workers.

In this same area of confusion there will be some uncertainty in the minds of workers as to what this legislation does. Many workers will think that once this legislation is in effect they will all have pension plans and that such plans will be protected by law. This, of course, is not the case. All this bill does is to ensure that if an employer who comes under the jurisdiction I have mentioned has established a pension plan, or if hereafter he brings one into being, it must meet the standards set up under this legislation.

It is my hope that in the course of time we may go further and get Canada pension legislation which will make it mandatory that every worker in this country who works for an employer, however that may be described, must have the benefit of a pension plan. As I say, the government seems to have a public relations service available to it for some of its legislation. I hope it will make use of this service in the case of the present legislation and see that our people understand what it provides and to whom it applies.

I have pointed out that this legislation provides protection for the rights of workers in pension plans. I think reference should be made in particular to the dissatisfaction which has been felt by employees of the Canadian Pacific Railway over the way in which their pension plans have been handled through the years. This is a long story and I will not go into any great detail at this time. But I well remember the results of the 1919 strike in Winnipeg. Employees who had been working for the C.P.R. up to that time but who were involved in the general strike in Winnipeg lost all the pension rights they had acquired with the company prior to that time.

For many years retired C.P.R. employees suffered because there was no protection for them at that time. Of course, the C.P.R. would point out that the plan then in effect

was a different plan, that it was a non-contributory plan and was not the same as the plan which came into effect in 1937. But even since the bringing into being by the C.P.R. of a contributory pension plan there have been many occasions for dissatisfaction on the part of the employees. Conditions of the plan have been changed from time to time, presumably by a committee, but the men have the feeling the changes have been made by the C.P.R. itself. More recently, after the Canada Pension Plan came into being the C.P.R. employees seem to have had considerable difficulty obtaining adjustments in the relationship between the C.P.R. pension plan and the Canada Pension Plan and putting the two on a basis which would meet the desires and needs of the employees themselves.

Again, there is considerable concern on the part of C.P.R. employees as to what is done with the moneys in the company's pension fund. Canadian Pacific is a company with many holdings including Canadian Pacific Investments and it is generally understood that some of the money in that pension fund is at the disposal of Canadian Pacific Investments regardless of whether or not the employees agree to this use being made of their money.

Recently, as a result of the changes brought about by the introduction of the Canada Pension Plan, the C.P.R. has changed its mind two or three times as to whether its employees must or need not be members of the company's plan. This has created a great deal of uncertainty and the employees have complained about this kind of thing. They seem to have no recourse, however, beyond the complaints they make to the company itself. The way in which the Industrial Relations and Disputes Investigation Act is set up makes it difficult, if not impossible, to get the pension arrangements of the C.P.R. made the subject of collective bargaining.

I could go into more detail but I do not intend to do so. I cite these things merely to indicate that the time has come when in the interests of the employees the state should step in and lay down standards for the pension plans of private employers so that the rights of employees may be protected. As I understand it, that is the principle behind this legislation.

• (2:30 p.m.)

For a number of years there was a move or at least an attempt to do something in this direction under the aegis of the income tax

law. For a number of years plans were regarded as approved if they met certain conditions. But then the time came when some constitutional experts doubted the validity of these income tax arrangements and so the blue book on pension plans, which was the bible a few years ago, was thrown away. Hence, for a number of years we have had the situation that there was no norm or standard that applied to pension plans of workers under federal jurisdiction.

Meantime, of course, we have had new régime with respect to federal-provincial relations. There are more discussions between the federal authority and the provincial authorities regarding all kinds of matters, and so a couple of years ago or more the conference was held to which the parliamentary secretary referred, with the provinces on one side and the federal government on the other. I for one am pleased that a decision was made to produce a general pattern that both the provinces and the federal government would endeavour to follow in setting up this kind of legislation. We can go into the actual details a little more when we reach some of the clauses of the bill dealing, as they do, with the precise standards to be laid down as well as the standards to be provided by regulation later, but in the meantime I think it is good that we have this kind of legislation before us.

I suppose, Mr. Speaker, that it is looking away into the future to suggest one or two things I have in mind, but I have discovered in my life in parliament that things which one thought might take forever to come about manage to come about if one stays around here long enough. I hope that some day we will see legislation in this field which will not only lay down the conditions that employers must meet if they have pension plans but will require pension plans to be part of a contract of employment. I think the day has come when pension arrangements, both private and public, should be universal so that all people will have the benefit and protection of these arrangements.

The other element which I hope some day will be in legislation of this kind relates to a matter with which we are at long last coming to grips, the problem that pensions have of trying to live throughout their pension period of the fixed pension that they receive at the time or retirement. Many a pension plan which, while the employee is working, seems to him to provide him with a good pension and at the time of retirement seems to provide him with a reasonable amount on which to live, is discovered later, because of the rising cost of living and the rising standard of living, to be of greatly reduced value. In fact, many a person who thought he had a pension good for life, later finds himself in dire circumstances because of these changes that take place.

We have recognized this problem to a slight extent in the provision we have written into the Old Age Security Act and also into the Canada Pension Plan under which, starting in 1968, there can be a slight escalation of pensions in accordance with rises in the cost of living. I regret that the index used for that purpose is the cost of living index rather than the wage index or some index that would measure our productivity much better, but at least the principle has been accepted in these two pieces of legislation that a pension as fixed at the time of retirement does not necessarily have to stay at that level for the balance of one's life.

We are wrestling with this same problem in relation to our own retired employees, our superannuated civil servants. This matter has been referred to the special joint committee on the public service of Canada and because it is before a committee I will not discuss it here. I merely express the hope that the very useful discussions taking place in that committee will result in a recommendation to the house that these people are entitled to an adjustment in their pensions even though they are in retirement. What I am coming to, Mr. Speaker, is that I think the day will come when we have to write that kind of provision into this kind of legislation. We will have to say that all pension plans, if they are going to be registered and meet the conditions laid down by the state, must have built-in provisions for escalation.

History would suggest that the cost of living is going to continue to go up and one hopes that the standard of living will continue to rise. I read a very interesting speech, a copy of which was sent to all of us, made a few days ago by the Minister of Finance (Mr. Sharp), in which he played the role of a prophet or the son of a prophet and made predictions as to what life was going to be like in Canada in the year 2000. He was careful to say that he found it easier to predict what was going to happen in the year 2000 than to predict what would happen next year. However, in that interesting speech he suggested that the average income per family in the year 2000 would probably be about

$15,000. We also said a few other things such as the part that people would be working an average work week of about 28 hours, and so on.

The point I am making is that it is a fact of history, and I suggest a fact of the future that living costs and living standards will continue to rise, and I do not think we shall have really coped with the problem of pensions until we recognize that fact and build it into our pension legislation. Pensions to be adequate to meet the purposes of the pensions should have in them built-in provisions to allow them to escalate after a person retires, so that he will not only be able to meet the increases in the cost of living that take place afterwards but will also be able to share in the higher standard of living the affluent society achieves in the years after he has concluded his work life. I recognize that it is perhaps a little futuristic to ask for this kind of provision in legislation that does not even require all employers who come under federal labour jurisdiction to have pension plans, but these are things we have got to work toward.

Before going into details when we get into committee of the whole, I want to express our welcome for this legislation. I hope a real effort will be made to let workers who come under federal jurisdiction know what this legislation is all about, what it provides, and the benefits and the protection that it makes available to them. I hope that the standards which will be laid down by regulation will be effective and worthwhile and that it will be made clear where the funds must be put, that companies just cannot transfer them from one fund to another in pursuit of their own affairs but that the pension moneys must be funded in such a way that they are guaranteed.

I also hope the day will come when we write into this kind of legislation the requirement that a pension plan must be provided by an employer who has a certain number of employees, and that pension plans must have built-in escalation provisions so that persons who go on pension will be able to meet the cost of living in their retirement years and also avail themselves of the increased standard of living an affluent society achieves because of their contribution toward it in the years that they were working.

• (2:40 p.m.)

[*Translation*]

Mr. C.-A. Gauthier (Roberval): Mr. Speaker, I should like to say a few words on the motion for second reading of Bill No. C-221 entitled:

An act respecting pension plans organized and administered for the benefit of persons employed in connection with certain federal works, undertakings and businesses.

First of all, I wish to congratulate the parliamentary secretary to the hon. minister (Mr. Chrétien) for having, so to speak, skipped the notice of resolution. I hope he will continue to do so and will henceforth move second reading of bills. It would spare us useless discussions.

I want to be brief and say merely that we accept this bill. It pleases us because we see it as the happy results of federal-provincial conferences. It shows that when governments want to agree, want to discuss intelligently, it is always possible to find a solution to problems with a view to improving the lot of the worker. This is an example of co-operation and we must commend the government of our province for discussing and accepting the proposals contained in a plan for the benefit of provincial and federal employees.

There is also the question of contributions, and I would like to ask the parliamentary secretary—I do not know if this is mentioned in the bill—to tell us if contributions are going to be compulsory or voluntary, and if the employee will be left free to accept or reject this insurance scheme. We are faced at present with group and private insurance schemes, a government pension plan and the latest organized pension plan; if we make this contribution compulsory, we will force the employee to pay two, three, four and even five insurance premiums. Of course, he will derive greater benefits at age 65, but I feel that we must keep in mind the fact that the worker has a family to raise and must live to be 65 years of age before he can take advantage of these benefits. I am under the impression that most of the workers will accept $200, $300, or even $400 when they reach 65 years of age, if they are allowed to keep most of their salary until then in order to provide for the needs of their family.

Mr. Speaker, I note that the list under "included employment" in this plan includes navigation and railways. In this regard, the government will certainly get the support of many railway workers. In the last few years, I have concerned myself with the problems of railway workers as far as insurance is concerned. In my opinion, a program of this type should have been offered to them a long time ago to help them out of the stagnation in which they now find themselves.

The prime concern of foreign companies in this country is to take over the dues of railway workers without giving them anything in return. I have mentioned this previously in this house. I have spoken on behalf of those railway workers who were revolted because those plans enabled foreign companies to take away millions and billions of dollars out of their salaries without guaranteeing them anything in return. Even if it were only to compete with those companies' plans, our workers would be happy about that. If that bill does what it intends to do, it will be quite an achievement already.

Now, we hope that all the workers who contribute at the present time to plans set up by foreign companies in Canada will take advantage of what this new plan offers them. I think that participation therein will be voluntary, but contributions will be compulsory. I invite all railroad workers to join that plan. They will be treated more fairly in the future.

That plan is sponsored by the government and it will certainly be supervised by members of the government. I think that if we do not succeed in giving a little more justice to our workers through plans such as this one, an organized pension plan, they will remain a prey to foreign insurance companies and will have to sacrifice their salaries to try to get a little protection.

Mr. Speaker, I do not want to extend the debate any longer, but I want to say just a word about administration. As pointed out by the parliamentary secretary to the minister, the administration will be in the hands of the insurance department and again that is a wise decision. We only hope that this plan will reach its objective and that our workers throughout Canada will benefit from what it has to offer.

[*English*]

Motion agreed to and bill read the second time.

THE ROYAL ASSENT

Mr. Speaker: I have the honour to inform the house that I have received the following communication:

10 March 1967

Sir,

I have the honour to inform you that the Hon. J. R. Cartwright, M.C., Puisne Judge of the Supreme Court of Canada, acting as Deputy to His Excellency the Administrator of the Government, will proceed to the Senate chamber today, the 10th March, at 5.45 p.m., for the purpose of giving royal assent to certain bills.

I have the honour to be,
sir,
Your obedient servant,
A. G. Cherrier
Assistant Secretary to the Governor General.

PENSIONS

PROVISION FOR REGULATION OF PRIVATE PLANS

Hon. Walter L. Gordon (for the Minister of Finance) moved that the house go into committee to consider Bill No. C-221, respecting pension plans organized and administered for the benefit of persons employed in connection with certain federal works, undertakings and businesses.

Motion agreed to and the house went into committee, Mr. Richard in the chair.

• (2:50 p.m.)

On clause 2—*Definitions.*

Mr. Chrétien: Mr. Chairman, we have a proposed amendment to this clause. Because of an obvious delay we must change the qualification date from January 1, 1967 to October 1, 1967. The proposed amendment is:

That Bill C-221 be amended by striking out lines 18 and 19 on page 3 thereof and substituting therefor the following:

"(n) 'qualification date' means the 1st day of October, 1967";

I should like to ask the Postmaster General to move that amendment.

Mr. Côté (Longueuil): I so move, Mr. Chairman.

Mr. Knowles: Mr. Chairman, I believe the effect of this change is obvious but perhaps the parliamentary secretary would help to make it clear on the record. Usually we talk about effective dates and that sort of thing but in this case we are talking about a qualification date. It is easy to understand why this date must now be October 1, 1967. Is it clear, however, that this legislation will not lock in any pension contributions made prior to October 1, 1967?

Mr. Chrétien: That is so, yes.

Mr. Knowles: Is it also clear that in respect of all pension plans to which this legislation applies, contributions made after October 1, 1967, will be locked in but only in relation to employees with ten years' service with the same employer and of age 45 or older?

Mr. Chrétien: Yes. The hon. member has a good understanding of this clause. Contributions will be locked in after that date in respect of employees with ten years or more service who are age 45 or over.

Mr. Knowles: The parliamentary secretary made it clear in his earlier remarks, as I think the bill itself does, that this will not prevent a pension plan from being designed to give even better benefits or protection to employees.

Mr. Chrétien: No, this bill will not prevent the employees or employers from changing their pension plan if they want to. This is designed only to prevent any lessening in the benefits of plans which qualify under the law. This was possible in the past. We want to protect the employees and to spell out that protection in the law.

Mr. Knowles: Is this legislation generally of a piece with the legislation of those provinces which have already passed similar bills, namely, Ontario, Quebec and Alberta?

Mr. Chrétien: Yes, according to my understanding it is the same. The only difference is the qualification date of this bill. However, the framework and the wording are almost the same. The result will be equal for employees whether they come under the provincial or federal law.

Mr. Knowles: Will the parliamentary secretary indicate what clause of the bill would be appropriate for a discussion in respect of portability, to which he made reference in his statement? I cannot find that word anywhere in the bill.

Mr. Chrétien: If the hon. member will read the first paragraph of clause 10 on page 8 I am sure he will realize that portability exists by implication.

Mr. Knowles: Perhaps we should discuss this on clause 10.

The Acting Chairman (Mr. Richard): Shall the amendment carry?

Amendment agreed to.

Clause as amended agreed to.

On clause 3—"*Included employment*" *defined.*

Mr. Knowles: Mr. Chairman, clause 3 is that part of the bill which makes it clear what employees are covered by this legislation. Subclause 1 in particular spells out the kinds of work that are covered and subclause 2 deals with the exception regarding government employees. What is to be the situation in respect of employees of the crown so far as this legislation is concerned?

Mr. Chrétien: There is a provision in the public service legislation which covers all the employees by the authority of the governor in council. They will be covered by regulation.

Mr. Knowles: In other words, the fact that government employees are not covered by this legislation is not to their disadvantage because the pension protection they have under federal law is even better. Is that right?

Mr. Chrétien: Yes, I think that is right. Even though they are not covered directly they are covered by other legislation which is even better. In any event, the governor in council has the power to act if necessary.

Mr. Barnett: Perhaps the parliamentary secretary would clarify the situation a little more in respect of the position of employees of the crown. I think a better understanding should be placed on the record of just how they fit into the picture and what the intention of the government is in relation to them under the authority given to the governor in council.

Mr. Chrétien: Mr. Chairman, some of these employees are covered by subclause 1, so there is no problem in that regard. Employees of crown corporations will be covered and will be obliged to amend their own pension plans in order to come within the provisions of this legislation. They will then be protected because their pensions will be amended in accordance with this provision. Actually most of the pension plans have such a provision at this time.

• (3:00 p.m.)

Mr. Barnett: Mr. Chairman, I had particular reference to subclause 3 (a) which provides as follows:

> The governor in council may make regulations excepting from included employment
>
> (a) employment by an agent of Her Majesty in right of Canada;

I interpret that provision to cover a crown corporation as being an agent of Her Majesty. Is it the general intent of the government that employees of crown corporations shall have the same rights as employees of other incorporations under federal jurisdiction, or will this power of the governor in council be used in such a way as to ensure that employees of

crown corporations have adequate pension plans?

Mr. Chrétien: Yes, Mr. Chairman, we want all such employees to be covered completely. They are covered by the Public Service Superannuation Act. The intention of the government is very clear, namely, that we want all these employees to be covered completely. They will now be in a better position than they are under the present law.

[*Translation*]

Mr. Gauthier: Mr. Chairman, I should like to ask the parliamentary secretary to the Minister of Finance if the fact of holding an employment mentioned in clause 3 requires the employee to pay a head tax or to contribute to the pension fund. In other words, is he free to choose the pension scheme to which he wants to belong?

Mr. Chrétien: Mr. Chairman, this legislation does not require employees to choose a pension fund or another. This legislation is designed to protect those who have already contributed to a pension plan. So, when a worker has contributed for a certain number of years and has reached the age of 45 years, from that time on, the employer is required to hold in reserve the pension of the worker until the time he has reached the pensionable age.

To protect the funds set aside by a company for the employee's pension, even if the worker leaves the employment of such an employer, the employer shall build up a reserve under the control of the Superintendent of Insurance so that it will be added to the employee's pension when he retires.

This in no way changes his status as far as a crown corporation or any other civil corporation under federal jurisdiction is concerned.

[*English*]

Clause agreed to.

Clause 4 agreed to.

On clause 5—*Agreements, etc., respecting administration.*

Mr. Knowles: Mr. Chairman, a few minutes ago the parliamentary secretary and I seemed to agree to defer a discussion on portability to clause 10. I wonder whether there should not be some discussion on this matter under clause 5.

Mr. Chrétien: As the hon. member wishes, Mr. Chairman.

Mr. Knowles: I think it would be useful to have an explanation of what is intended by virtue of clause 5. It seems to provide for the establishment in Canada of an associaiion of pension commissions. I take it that this means a getting together of federal and provincial bodies that are supervising pensions. I should like to know what relation this has to the guaranteeing of pension portability.

I quite appreciate what the parliamentary secretary said about clause 10 which we shall reach later, namely, that there is an implication that because an employee gains a certain right which is guaranteed to him by law he can therefore move from one job to another and perhaps collect three or four pensions in the course of a lifetime. When we talk about portability, that is one definition of it. But we also have in mind the possibility of an employee going from one job to another and taking with him or having transferred the funds of one pension plan to the funds of another so that he builds up his pension in that way. Can the parliamentary secretary comment on this aspect of the matter?

Mr. Chrétien: I did not catch the last question, Mr. Chairman, because a page boy asked me another question.

Mr. Knowles: I must commend the parliamentary secretary on his popularity. I said that portability could be achieved by a person building up two or three pension plans in the course of his life. What about the possibility of taking his credits from one employer to another? Is that covered in this bill?

Mr. Chrétien: I must tell the hon. member that portability is not covered by subclause (a) of clause 5. The hon. member will find that this is dealt with in subclause (c). Under subclause (c), if a man has accumulated pension funds with different employers these funds may be paid into an agency which will deal with the funds the man has accumulated.

Mr. Knowles: I have one more question on this point, Mr. Chairman, and my colleague behind me has some others. If an employee works for a time for an employer who comes under the provisions of this bill because the work is federal in character and then moves to employment that is provincial in character, do the agreements envisaged in this legislation provide for this protection being carried from one area to the other?

Mr. Chrétien: Yes, Mr. Chairman. There is constant discussion in this respect. This provision has been designed to protect the rights of employees who work under federal or provincial jurisdiction. It does not matter whether an employee works under federal jurisdiction for a time and then works under provincial jurisdiction; he will have the same rights because the provincial and federal laws are the same. He will not lose anything and will receive his pension in the same manner, even if for some period of his life he has worked under the two different jurisdictions. There is no difficulty here, in my view.

Mr. Barnett: Mr. Chairman, the parliamentary secretary referred to subclause (c) of clause 5, which provides:

> The minister, with the approval of the governor in council, may
>
> (c) designate an agency for the purposes, among others, of receiving, holding and disbursing pension benefit credits under this act.

I think it would be useful if the parliamentary secretary could spell out to us in a little more detail just what this agency is going to be. On the face of it, after reading this provision it seems to me it is an agency to be established by the authority of the federal minister. On the other hand, if one reads the earlier subclauses of clause 5, which provide for entering into agreements with the provinces, one is led to ask whether this agency will in fact be jointly operated by the federal and provincial governments and whether it has anything to do with the reference to an association of pension commissions in subclause (a).

In this connection a related question comes to my mind. Could this provision operate, for example, between the federal government and a single provincial government, or is there any requirement in the mind of the federal government that a certain number of provinces have to enact complementary legislation before anything will be done? Can the parliamentary secretary expand upon the nature of this agency and the relationship of its operations between the federal and provincial authorities?

• (3:10 p.m.)

Mr. Chrétien: The relationship between the federal and provincial authorities consists in an agreement among the provinces to pass a similar law covering employees. It is clear that there will be constant negotiations between the federal and the provincial governments on these matters because a man may work for several years in British Columbia, later go to Quebec to work, and then start to work for the federal government. In such cases, as stated in subclause (c) the government can:

> designate an agency for the purposes, among others, of receiving, holding and disbursing pension benefit credits under this act.

This law will apply to every province. Negotiations will take place and it is understood that there will be constant discussion and collaboration between the provinces and the federal government on that matter. I cannot see any difficulty. I think that the whole range of possibilities has been covered.

Mr. Barnett: Mr. Chairman, I have followed the explanation of the parliamentary secretary as far as it goes but he has still not given us any elucidation of what is meant by an agency. Is this to be an office set up by a department of the federal government? Is it to be a joint federal-provincial operation with its own secretariate, such as, shall we say, the council of resource ministers, or could it mean that some private trust company will be designated as an agency? Can the parliamentary secretary tell us what this agency will be?

Mr. Chrétien: I cannot give a definition of the agency because we do not know yet what agency will be chosen. It is possible that if many problems arise a federal agency will be established for that purpose or an agency controlled either by the federal government or the provinces. There is also a possibility that an agency such as a private trust company will be used. We do not know yet. The minister is given the power to designate such an agency but we do not know yet what it will be. The decision will be made in co-operation with the provinces.

Mr. Barnett: I should like to put one more question to the parliamentary secretary. Reference has been made by my colleague from Winnipeg North Centre to the locking in of benefits of an employee at the age of 45 after ten years of employment. It has already been stated that provision will be made for the transfer of employment under federal jurisdiction to employment in provincial jurisdiction without loss of benefits. Can we have an explanation of what the situation will be of an employee with less than ten years' benefit? I would point out the importance of this question in the construction field where employees may move quite frequently from employment

under federal jurisdiction to employment under provincial jurisdiction. Will it be possible under this agency to be designated for contributions covering a shorter period than ten years to be pooled and deposited with the agency so that the pension rights of an individual in that category of employment may accumulate?

Mr. Chrétien: Under this legislation nothing prevents a man from accumulating his pension. This law applies to employees who are 45 years of age or over and who have worked for a period of ten years. It does not cover those who have worked less than ten years or are less than 45 years of age.

Clause agreed to.

Clauses 6 to 9 inclusive agreed to.

On clause 10—*Provisions respecting vesting, locking-in, etc.*

Mr. Knowles: Mr. Chairman, I take it that the standards which a plan must meet are simply those set out in clauses 10 and 11. Clause 10 is also the clause to which the parliamentary secretary initially referred us for discussion of the question of portability. He asked me to rely on the implication that is in the bill. I think I understand the implication but I am still worried about a certain case. Let us consider an employee who works for nine years for an employer covered by this legislation, then works another nine years under a different employer covered by this legislation, after which the process is repeated for another nine years under another employer. At the end he will have been employed for 27 years, all of it under employers who are covered by this legislation. Will he be protected by this legislation?

Mr. Chrétien: In such a case the employee will have the right to collect the money of his pension after nine years of service and he will not be covered further. However, if he leaves the money in the fund and goes to another employment he will be covered.

Mr. Knowles: Do I understand that he will be protected by the legislation if he leaves the money in the fund and that he will get the pension on a deferred basis or on some other basis?

Mr. Chrétien: He will not be forced to leave the money in the fund but will be able to collect it if he wants to. If he leaves the money in the fund he will be covered after the initial nine years.

Mr. Knowles: So that if he leaves at the end of nine years he will not be forced to leave the money in the fund, but if he does leave it there, is the company required to pay him a pension at a later date?

Mr. Chrétien: Yes, if it is in the plan. It will be locked in after ten years.

Mr. Knowles: The parliamentary secretary says "if it is in the plan". May I suggest that one of the deficiencies in the legislation is that the standards it lays down do not go quite far enough.

Mr. Chrétien: The same problem always arises. We present good legislation and we are quite used to the fact that hon. members opposite find that it does not go far enough.

Mr. Knowles: My hon. friend likes to joke. However, may I come back to the case I outlined? The government says this is good legislation and I agree. If an employee works for nine years for each of three separate employers, all of them covered by this legislation, the parliamentary secretary says that he will get the benefit of the three nine-year periods of employment in terms of a pension only if it is in the plan. There is nothing in the legislation which requires him to get the benefit. He gets the benefit of law only if he is employed for the full ten years.

• (3:20 p.m.)

Mr. Chrétien: If you read subclause 2 you will see that an employee is permitted to keep any money that is coming to him and then go to work for an employer for another two or three years. Then he will be covered. There is a possibility he is covered by subclause 2.

Mr. Knowles: Is not the parliamentary secretary only saying that a plan may provide far more than the legislation requires? The requirements of this legislation do not protect an employee who has worked only nine years, even though he may have worked for that period for three successive employers.

Mr. Chrétien: If he did not take the money with him he would be protected but we cannot force him to leave the money in the pension fund. After ten years the money will be locked in the fund. If he left the money there and went to work for another employer the money would be in the fund. He would be covered by the law a year after that because he would have worked ten years then.

Mr. Knowles: Does the parliamentary secretary mean that the employee may work

for nine years and then go to work for another employer for a year or more and then he would have the ten years required under this law? I wish it meant that, but I do not think that is the language.

Mr. Chrétien: Mr. Chairman, I think I went a bit too far. I mentioned earlier that when a man moved from one industry to another industry he was covered by some plan and he would be protected by the law. However, if he worked for another nine years with another company he would not be protected.

Mr. Knowles: Well, I hope some day we will get this legislation improved in this particular respect.

Mr. Barnett: I should like to ask one or two questions somewhat related to those asked by the hon. member for Winnipeg North Centre. If I understand the situation correctly as the parliamentary secretary has outlined it, under the standards that are proposed, at the end of ten years an employee's pension rights are locked in the plan. Neither he nor the employing company can unlock them and the employee has a right to that pension. I think I followed him further that the employee who leaves after nine years is given the right to leave his contributions in the fund.

Mr. Chrétien: Yes. These cases are often covered by the pension plan the company has, to protect the employees. The intention of this law is to protect those who have been working more than ten years. The pension will then be locked in forever. Even if the employees or the employer want to change it, there will be no possibility. This law does not protect those who work less than ten years. Employees in this situation can do what they want by collective bargaining or any other means, but this law will not apply to them. There is nothing to prevent a private pension plan covering them in any way if there is agreement between the employees and employer.

Mr. Barnett: Under the standards that are set up, if a man left at the end of nine years, to use the period used by the hon. member, an employer would be permitted to say: Here is your share of your contributions up to this point and you have to take it with you; you have no further rights under the plan.

Mr. Chrétien: You are right.

Mr. Barnett: May I ask a further question with reference to the agency mentioned in clause 5? This provides a place where the funds can be put. Suppose an employee was in the situation outlined by the hon. member for Winnipeg North Centre and was employed by a company which had a plan but the company decided it did not want to be bothered with keeping his contributions when he left. Suppose the employee wanted to build up his pension right. Would he be able to take this lump sum and deposit it with the agency so he would have a cumulative pension right?

Mr. Chrétien: Yes, I think it is the intention of clause 5 to provide for employees a place where they will be able to maintain their right to a pension. The minister will have the power to designate the agency in order to maintain the pension for this employee. Suppose a man worked nine years for a company and when he moved the employer gave him back his money. I think the employee will be able to give the money he has received to that agency. In fact this law covers those who have worked for a period of ten years. If an employee has not worked for ten years he is not covered by the law, and I must admit that.

Mr. Barnett: Unless the particular plan sets a higher standard than the minimum standard set by law.

Clause agreed to.

On clause 11—*Provisions respecting funding and investment of moneys.*

Mr. Knowles: Clause 11, Mr. Chairman, amongst other things calls for the funding of all moneys that are in pension plans. Let me put the question I have in mind in precise terms. I referred earlier to the C.P.R. pension fund and to some questions that were asked about where that money has been put. I take it from my reading of clause 11 that this provision cannot be made to apply to any money that is already in the C.P.R. pension fund but that money which is put into it after October 1, 1967, will come under the provisions of clause 11 and will have to be funded in accordance with the regulations to be laid down by the government. Is that correct?

Mr. Chrétien: I understand that the hon. member is not correct. As I see the law it is that after October 1, 1967, funds adequate to provide for the payment of all pension payments and other benefits required to be paid under the directions of the plan will be covered. I believe, therefore, that moneys in the C.P.R. pension fund right now will be covered by the law in addition to money received after October 1.

• (3:30 p.m.)

Mr. Douglas: That is clause 11 (b), which reads:

—for investment of pension fund moneys in such securities and obligations as are prescribed by the regulations;

Let me use as an example the C.P.R. Does that mean that the superintendent of insurance has authority to examine the securities and obligations that company now has and to recommend changes in their investments in terms of these regulations?

Mr. Chrétien: Yes. I am given to understand that the superintendent of insurance will have the right to look into the investment of the C.P.R. in relation to the pension plan. If the superintendent is not satisfied with the security of that investment he will make a recommendation and force them to make a change. That is the way we understand the situation. This bill is designed to protect the rights of the employees and the money that they have put into the pension plan, and the superintendent of insurance will have the right to make recommendations if he is not satisfied with the kind of investment that is made.

Mr. Douglas: Since there is this prescription as to what type of securities and obligations may be used for investing pension funds, has the parliamentary secretary any idea what the regulations are likely to stipulate? It seems to me that this is very important. We are passing legislation giving wide discretionary power to the governor in council to make regulations which will stipulate what type of securities and obligations pension funds may invest in. Is it the intention of the government that those regulations should definitely state that an employer cannot invest his pension funds in securities of the company owned by the employer? In the case of the C.P.R. the illustration is not likely to be applicable, but an employer could use pension funds to purchase debentures of his own company and if that company went bankrupt those debentures would be valueless, in which case the pension fund would be virtually non-existent.

Mr. Chrétien: I cannot say exactly what the regulations will be, Mr. Chairman, but I think the same standard will apply to these investments as applies to investments of life insurance companies in Canada. There are regulations governing investments of life insurance companies so as to protect the holders of life insurance policies, and identical or similar regulations will be drafted to protect pension funds.

Mr. Douglas: I should like to urge that when the government is drafting these regulations serious consideration be given to stipulating in the regulations that an employer may not use the pension funds to invest in securities of his own company. In other words, an employer cannot take pension funds in return for an I.O.U. and use the money for his own company's industrial expansion. He may do so in perfectly good faith, but it seems to me that an employee is entitled to much greater protection than that. This would be particularly true of an employer who owns a relatively small company.

Mr. Chrétien: I will transmit the views of the hon. member to the minister, but he may be assured that the government will make itself responsible to ensure that investment of these funds will be protected. Certainly the situation described by the hon. member will receive consideration and everything will be done to protect funds. As I understand the point made by the hon. member, he is suggesting it is possible that an employer might invest in his own company and that such investment might not be a secure one, and I can assure him the regulations will provide for such a situation. I can tell him the matter will be studied very carefully.

Mr. Barnett: Mr. Chairman, I should like to ask a question related to this problem. Is it possible under this legislation for a company to handle, entirely as a matter of internal management, the investment of pension funds, or will it be required to turn over such moneys to a pension trust administration which will be independent of the operating management of the company?

Mr. Chrétien: No, Mr. Chairman. The law is designed to permit companies to do what they want in the matter of investments, though the investments will be under the supervision of the superintendent of insurance. Therefore, if an investment is not adjudged to be a good one by the superintendent of insurance he will not permit it but will force employers to invest their moneys elsewhere. So there is no problem at all. There will be supervision and the money will be invested in safe securities.

Mr. Pugh: I should like to raise one further matter, Mr. Chairman. Would the parliamentary secretary care to indicate what are the regulations now in effect with respect to trust

funds and pension plans, particularly pension plans? Is there any federal legislation—I think the matter would be cleared up if there were—which could be used as a guide line here?

Mr. Chrétien: Mr. Chairman, I did not mention investments by pension plans; I mentioned life insurance companies. There are regulations in respect of life insurance company investments but there is no federal legislation that I know of at the present time in respect of pension plans. To a certain extent pension plans now will be protected under the terms of this bill.

Mr. Pugh: Is the hon. member prepared to say that the same regulations which apply to life insurance companies will apply to pension plans and that the regulations will be no more restrictive or no more free as they relate to this form of investment?

Mr. Chrétien: The regulations will be almost the same as those in respect of life insurance company investments. I am afraid I cannot give any further clarification.

Mr. Pugh: In other words, the existing regulations in respect of investments by life insurance companies may well become the guide lines in respect of private investment under the plan?

Mr. Chrétien: They may be a guide line but they will in no way be mandatory. The pension plan can invest its funds in any way it wants.

Clause agreed to.

Clauses 12 and 13 agreed to.

On clause 14—*Notice of objection.*

Mr. Barnett: Mr. Chairman, I have a question which arises from the terms of clause 14 in that part of the bill headed "Objections and Appeals". The clause has to do with objections which may be made by an employer to actions of the superintendent in regard to recognition or non-recognition of a plan or the revoking of registration. The question I should like to ask the parliamentary secretary is, what provision is made to enable a member of a plan to raise any objection to the manner in which the plan has been operating? I would refer to clause 11 (c) which sets out the terms and conditions of the plan along with an explanation of the rights of members, and so on. Can the parliamentary secretary tell us how an individual member of a group plan who has reason for dissatisfaction can take action to protect his rights when he believes they are being contravened?

• (3:40 p.m.)

Mr. Chrétien: I think such cases should be brought to the attention of the superintendent of insurance. If something has been done which is not lawful he will be glad to investigate the situation and force the employer concerned to make the necessary changes. This is the duty of the superintendent of insurance and up to now, as far as I know, no one has complained about the way in which he conducts his investigations. I am sure he will be ready to act if there is a well-founded complaint by any employee.

Mr. Barnett: The parliamentary secretary is suggesting that if an individual member of a plan feels dissatisfied the course of action open to him is to address a communication directly to the superintendent of insurance asking for an investigation.

Mr. Chrétien: That is what I mean.

Clause agreed to.

Clauses 15 to 20 inclusive agreed to.

On clause 21—*Regulations.*

Mr. Knowles: Can the parliamentary secretary tell us by what date the regulations under this act will be promulgated? Perhaps I could put the question in a somewhat different form. Will they be available to those concerned some time in advance of October 1, 1967?

Mr. Chrétien: Oh, yes. I think these regulations will be ready within a month. Certainly they will be distributed to all those who are concerned before October 1. They will be ready in a month or perhaps two months from now.

Mr. Knowles: I am glad to hear that. I am sure the parliamentary secretary will not mind if I smile when he says "Oh, yes" so easily. After all, the former minister of finance announced on December 18, 1964, that we would have this legislation before us shortly.

Mr. Chrétien: This legislation has been on the order paper for a long time but there were some problems, as the hon. member knows. We have such a good legislative program that it is difficult to establish priorities.

Mr. Knowles: That is not the way I heard it.

Clause agreed to.

Clause 22 agreed to.

Clause 1 agreed to.

Title agreed to.

Bill reported.

The Acting Speaker (Mr. Richard): When shall the said bill be read the third time?

Mr. Knowles: By leave, now.

Mr. Sharp moved the third reading of the bill.

Motion agreed to and bill read the third time and passed.

BANK OF CANADA ACT

AMENDMENTS RESPECTING DIRECTION OF MONETARY POLICY, CASH RESERVES, ETC.

The house resumed, from Thursday, March 9, consideration in committee of Bill No. C-190, to amend the Bank of Canada Act—Mr. Sharp—Mr. Richard in the chair.

On clause 1.

Mr. Johnston: Mr. Chairman, I recall that I was the last person recognized yesterday before a question of privilege was raised. I appreciate the opportunity of saying at this time what I was unable to say yesterday.

I should like to refer to three things in this bill which please me in a way. One thing the bill does is spell out once again very clearly the responsibility of the federal government for regulating the monetary policy of the nation. This is something which needs to be reiterated throughout this country at all levels of government. We have been going through a period of tight money and are still doing so. It is too often assumed that situations of this kind come about accidentally. It is not sufficiently realized that a direction can be given which will result in tight money at times and that another direction can be given which will ease the money supply. Every time we enter a period of tight money we pay for it. We pay for it years later in terms of development which has been unrealized, particularly in the public field, in the hospitals and schools which were not built because of the tight money situation.

Decisions made at the federal level extend to the provinces. Often I have met people in British Columbia who wonder why development has been slowed down and why the province does not do something to speed it up. One cannot repeat too often that monetary policy is a jealously guarded preserve of the federal authority. One thing this bill does is to make this proposition very clear. Now we cannot even foist the blame upon the governor of the Bank of Canada. It has become obvious that he acts under the direction of the federal minister of finance. So it is clear that it is the government's duty to formulate monetary policy.

• (3:50 p.m.)

In this connection I quote from a maritime publication rather than from a British Columbia publication. I refer to the *Fundy Fisherman* of May 25, 1966, which carried an editorial dealing with the whole question of monetary policy and tight money. It said:

> The government's duty is to govern—not to abdicate the power of government to the power of money.
>
> The government's duty is to make certain that money is available for essential services, for housing, hospitals, schools, wharves, bridges, highways, etc.
>
> The government's duty is to make certain that the productive industries of the land have the money and credit to expand to provide employment and to provide goods for trade. The products of the mine, the farm, the forest, and the sea, provide the wealth of Canadians, and the employment for Canadians as they pass through the several stages to consumption.

I think this quotation points up the idea I have in mind and that is put forward so clearly in this bill.

The other point in the bill about which I have waited some time to speak is the reference to the International Monetary Fund and the fact that the Bank of Canada is the agency through which we have contact with the International Monetary Fund. I recall the bill that was introduced almost a year ago when a decision was made to increase the Canadian contribution to the International Monetary Fund. I recall sitting in the house on the afternoon that bill was suddenly introduced with no advance warning to this party. The Conservative spokesman, the hon. member for Edmonton West, said that his party had nothing to contribute on the bill and the N.D.P. spokesman, the hon. member for Burnaby-Coquitlam, said that his party had nothing to say on it either. As it happened, I was the only Social Credit member in the chamber, and I am afraid I was struck speechless at the thought that the parties which like to consider themselves the major opposition parties had nothing to say about a bill as significant as one to increase the Canadian contribution to the International Monetary Fund. And so

the bill went through all stages that afternoon in record time.

Later I checked the speeches made in the house in 1946 and 1947 by Social Credit members at the time that the Bretton Woods agreement was under discussion and the International Monetary Fund was being established. They made very interesting reading because many things said at that time have since proven to be prophetic. The International Monetary Fund has not been the cure-all for the international problems of the world. From abroad we hear a great deal about the need to reform the International Monetary Fund. An article some months ago in the *Economist* by Norman Macrae was critical of the International Monetary Fund and of the role it plays, along with other lending agencies, in providing assistance to underdeveloped countries.

The greatest problem of assistance to underdeveloped countries is always the one of the interest rate on the money that is lent to them, and the fact that by the time they have used the funds lent to them they are poorer than ever because they have to meet the interest payments, and because of the restrictions originally placed on aid. Certainly the International Monetary Fund is involved in this.

Even stranger was the recent report in the Toronto *Globe and Mail* regarding the United Arab Republic being behind in its payments to the International Monetary Fund. I quote the article:

> The United Arab Republic has not paid an $8 million debt overdue to the International Monetary Fund, a spokesman for the 103-nation organization said yesterday.
>
> The matter is under discussion with the government of President Gamal Abdel Nasser, the spokesman said.
>
> He refused to speculate on whether the lack of payment was due to a shortage of Egyption funds or other reasons, or to discuss further details of the debt. In all, it is understood the U.A.R. owes more than $100 million in the fund.

Yet we know, Mr. Chairman, that the United Arab Republic has for some years been carrying on a miserable little war in another country in the Arabian peninsula, a war which has been accelerating lately and has taken on an ominous aspect in the means of conducting it. I have sat in this house week after week expecting hon. members particularly from the New Democratic Party, who so often rise to their feet on the question of Viet Nam, to ask something about this particularly miserable little war where one country is clearly involved in the internal problems of another, but they have said nothing about it.

It was with some concern a week or so ago that I read an article in the *Globe and Mail* which suggested that the International Monetary Fund is in effect assisting in the financing of this war.

We Canadians are part of that fund, and we seem to adopt two postures toward it. When our government feels it is time to initiate a policy of tight money we are told that we float like a chip on the sea of international finance, that money is tight all around and that we can really do little about it except go along with the situation as it is. But at other times we take great pride in being a member of the "Big Ten", as they are called, and from that one would assume we had some international financial power in today's world.

I agree most heartily with the remarks made yesterday by the hon member for Nanaimo-Cowichan-The Islands, made very briefly in his usual gentle manner, suggesting that the International Monetary Fund through its Canadian representative could provide us with a little more information as to what is actually going on in the monetary and financial field. We know that there is much speculation and that plans are under foot to initiate new methods of coping with the shortage of liquidity in today's world. These plans can affect this country greatly. We know there is a major conflict between countries which would like to return to the gold standard and those that would like to break farther away from it. There are completely opposite directions in which this country can go in that regard.

I think too that most Canadians are becoming increasingly disturbed by the suggestion that an increase in the price of gold is inevitable, that in effect a devaluation of the American dollar is inevitable, and that the methods being suggested to cope with the problems will not be sufficient or will not be sufficiently attractive to prevent a return to the older method of financing in the international field. This comes at a time when Canada's gold industry is almost at its last gasp. I am sure most hon. members have received information on their desks during the last few weeks regarding this industry and the low state to which it has fallen. This comes also at a time when the entire western world is increasingly dependent upon the gold of South Africa, and it happens just at a time when South Africa is becoming more and more isolated from the rest of the world, at a

time when a scheme is actively under way to involve the United Nations in the disruption of that country.

In view of all this I found it strange some months ago that hon. members could pass a bill dealing directly with the International Monetary Fund and have nothing to say about it. I find it strange now that hon. members are prepared to pass a bill dealing indirectly with the International Monetary Fund and have so little to say about it.

• (4:00 p.m.)

If it is true, as the hon. member for Nanaimo-Cowichan-The Islands says, that the Department of Finance, the government or the Bank of Canada has a stable of brilliant young economists who are working in the field of international finance, I would hope they would tell us what sort of direction we can expect this country to take in this regard.

Finally, a feature about this bill which pleases me is the removal of any restrictions on the material from which money can be made in this country. I find this a delightful part of the bill. Up until now the Bank of Canada has been limited to the buying and selling of gold, silver, nickel, copper, bronze and a few other well known metallic materials, but it seems that this bill would give the bank the power to use almost anything else it might wish to use, to coin money. I would hope that this would allow the Bank of Canada to move into materials which are exotic and valueless in themselves, so that the Canadian people might become convinced at last that there is no intrinsic value in the material itself which goes into money.

I am afraid that the committee on finance, trade and economic affairs was led partly astray by the representations made by the Canadian Bankers Association, which persisted in talking about money as a commodity, in the hope that we would all finally decide that it was a commodity, so that if there is an increase in prices of materials such as nickel, copper, or wheat—which has not gone up yet, but might—it would be only natural to assume that the price of money would have to go up as well. I think this is a dangerous over-simplification of the whole idea of money and one which needs constantly to be challenged.

Money is a means of exchange; it is not in itself a commodity. It has one purpose; that is, it is a means of distribution for the production of which we are now capable. This is the great problem which faces the world today. It does not have the liquidity to move the production of which it is capable and therefore must turn to war, defence spending, moon shots, supersonic flights and a host of other things to dispose of the surplus production, rather than see that it is used for the benefit of the people for whom it should be used.

Mr. Sharp: Mr. Chairman, may I ask the hon. gentleman a question. I listened with great interest to his speech. I was not clear as to just what would be his policy concerning the very serious dilemma faced by the world today in the study of international liquidity. When he talked about the dilemma there was much with which I agree, but I was not sure which choice he thought we should make.

Mr. Johnston: I appreciate the question. I believe this is the first time the minister has addressed a question to me, and I do not know whether I should accept it as a compliment. I realize that the responsibility for this decision at the present time is his, not mine. I would hope however that he would make a decision on the side of using the credit of people, in the sense of using the worth of the human being as the measure, and not the value of a metal such as gold. I think any move toward the gold standard is a mistake. This is something which Social Crediters always have feared and have disapproved of. We believe a move in the other direction is the one which should be taken.

At the International Labour Conference at Geneva it was obvious to me the major problem is that over and over again in today's world the rich get richer and the poor get poorer. It is that dilemma which must be tackled. I would hope the minister would be of the same mind as this party is.

Mr. Fulton: Mr. Chairman, I do not intend to make any general remarks with regard to Bill No. C-190 at this stage, since the bill has been discussed in detail before the standing committee on finance, trade and economic affairs. I do wish however to make two suggestions to the minister, one procedural and the other general. The procedural suggestion is that in respect of one section of this bill the subject matter thereof should be referred back to the standing committee on finance, trade and economic affairs for further consideration to enable the committee to hear representations and then report back to the house. At the same time I think a certain portion of Bill No. C-222, the proposed act

respecting banks and banking, should be referred to the committee for the same purpose and in the same way.

The portions I have in mind deal with the fixing of the cash reserves which the chartered banks are required to maintain with the Bank of Canada. Therefore the portion of Bill No. C-190 which I suggest should be referred back to the committee is subclause 5 of clause 9. This subclause is found starting at page 5 of the bill. This is a subclause which gives the Bank of Canada power to fix the percentage of the deposit liabilities in the chartered banks payable in Canadian currency which the banks are required by subsection 3 of section 72 of the Bank Act to maintain as average secondary reserve during any month.

The reason I suggest that this portion of Bill No. C-190, together with the subject matter of clause 72 of Bill No. C-222, be referred back to the committee is that an important misunderstanding has arisen in the course of the committee's consideration of these related provisions. This important misunderstanding can be summarized as follows. The proposed new law—I am speaking now of both bills read together—as initially introduced in this house and then referred to the standing committee provides for a new method of maintaining or controlling the reserves which the chartered banks are required to maintain with the Bank of Canada. Hitherto those reserves had to be maintained at a certain percentage of the deposits with the chartered banks.

Previously the percentage required to be maintained with the Bank of Canada had to be calculated monthly. Under the new legislation it is proposed that the percentage of the actual amount to be maintained as cash reserves be calculated twice monthly, and that a severe penalty be imposed upon the chartered banks if they do not maintain the correct percentage with the Bank of Canada. If these things must be calculated twice monthly and an adjustment made on that basis, it will be appreciated that this involves a more delicate and perhaps more difficult operation than if the requirements were a monthly event. In other words, it imposes a greater burden and an appreciably greater difficulty than the monthly averaging system.

• (4:10 p.m.)

We had considerable discussion about this matter in the standing committee and I urged upon the minister and the governor of the Bank of Canada that, first, they should consider maintaining the monthly averaging system and, second, if they did not accept that point of view or submission, instead of putting the bank in the position where an error in calculation in the twice monthly averaging system would subject them to severe penalty, they should allow the banks to adjust for the second period or each subsequent period for any deficiency of a previous period. That provision in operation would have the effect of keeping the averaging correct in the overall situation for each month, which is highly desirable, without subjecting the banks to penalties.

I do not know whether the officials or the minister would accept either of those points of view, because before the matter was concluded and before it was necessary to bring it to a head and obtain a decision the minister had an amendment introduced to the committee affecting the whole of clause 72 of Bill C-222, and the new clause was accepted at the time of its introduction.

It was explained by Mr. Elderkin, who had just retired as inspector general of banks and had undertaken to appear before the committee to explain the results of the amendments as they were introduced. I will read his evidence as given to the committee in a moment, but I want to summarize it now because I want the committee to appreciate its importance.

He said that the Bank of Canada had decided it was not necessary to put the banks on a twice monthly averaging system and that they should maintain a monthly averaging system. He also suggested that the Bank of Canada would be given the power to move to a twice monthly averaging system if the exigencies of monetary conditions demanded that, and that the twice monthly averaging requirements laid down by the Bank of Canada could be abandoned and the banks could be allowed to revert to the monthly averaging system without the necessity of further legislation.

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

Mr. Fulton: Perhaps I may be allowed to conclude my observations, at which time I will be pleased to deal with the questions.

At this point I think I should read the evidence given by Mr. Elderkin as found in the Minutes of Proceedings and Evidence of the standing committee on finance, trade and economic affairs, volume 48 at page 3323. The

amendment introduced by the government had been placed before the committee and Mr. Elderkin gave this explanation:

> We have a very important amendment here and I think I should bring it particularly to the attention of the committee. In clause 72, as it appears in the bill, subclause 1 provided for a cash reserve based on a split month; in other words a period during the first fifteen days of the month and then a period of the remaining days in the month. The Bank of Canada, after further consideration of this, decided that they would prefer to go back to what is the present practice, namely, to have the cash reserve based on the period of the full month; but they wish to reserve the right to place it on a twice monthly averaging period if, at some time in the future, monetary conditions appear to require it and, therefore, your first amendment to subclause 1 brings it back to the average of the month instead of the average of the two periods. Then there is a new subclause 3 which gives the Bank of Canada the power to require a twice monthly averaging if a month's notice is given and published in the *Canada Gazette*, and mailed to all the banks. It also provides that at any time after such advice has been given, the Bank of Canada may withdraw the requirement. That is, as I say, quite an important administrative difference and I thought I would like to explain to you the effect of the four amendments to clause 72.

I am sure everyone will appreciate that this is an important administrative difference. The government introduced to the standing committee an amendment to its own proposed bill which had the effect, as explained by Mr. Elderkin—and it is consistent with the wording of the amendment now before the committee—of continuing in any event for a year, the monthly averaging system as the general practice. It provided a stand-by power in a "notwithstanding" subclause that the Bank of Canada, if it felt conditions warranted it, could require the banks to go on a twice monthly averaging system. In other words, the position was entirely reversed as compared to the result which would have followed the initial draft of the legislation. The initial draft put them automatically and permanently on a twice monthly averaging system, with no provision for returning to the monthly system.

The new amendment continues the monthly system, with the provision that the Bank of Canada may put them on a twice monthly system if it feels such procedure advisable, but might also withdraw and revert to a monthly system, I assume, when monetary conditions have returned to normal. Speaking for myself, and I am sure for other members of the committee, on the basis of that explanation as to that important difference we accepted the amendment as meeting our objections, therefore rendering it unnecessary to force the point we previously had under discussion.

I am advised that the banks similarly felt that the situation was clarified and entirely acceptable. Therefore they felt they need not continue or make further representation in respect of this clause. It went through on that basis, with a minimum of discussion as to the amendment itself, to the satisfaction of the banks as interested parties, and members of the committee who feel this requirement was unduly onerous.

The fact has been drawn to our attention that the governor of the Bank of Canada wrote a letter which was received by chartered banks on March 2, putting an entirely different interpretation on this amendment to clause 72, and expressing an entirely different intention as to how they would operate this cash reserve averaging system. The letter makes it clear that it is the intention of the governor of the Bank of Canada to operate this in a way opposite to the way which was explained by Mr. Elderkin.

Perhaps at this point I should read the letter which I am advised was addressed by Mr. Rasminsky to all chartered banks. This information is contained in a telegram from the chairman and president of the Royal Bank of Canada to the chairman of our standing committee. In this telegram, Mr. McLaughlin quotes the letter from the governor of the Bank of Canada to chartered banks as follows:

> You will no doubt know that the House of Commons committee on finance, trade and economic affairs accepted a government amendment to the proposed Bank Act dealing with the twice monthly averaging period.

• (4:20 p.m.)

> I am attaching hereto a copy of the relevant section as it appears in the bill reported to parliament.

The letter from Mr. Rasminsky continues:

> In asking the government to introduce this amendment I had two considerations in mind, (1) that it would be desirable to complete the transition to the new method of calculating cash reserves—

In the copy before me there then appear the letters "I.M.E." I do not know what that means. However, the letter continues:

> —the 12 per cent to 4 per cent formula before introducing the twice monthly averaging period—

My understanding of that portion of the letter is that it would be desirable to complete the transition to the new method of calculating cash reserves from the 12 per cent to 4

per cent formula before introducing a twice monthly averaging period. The letter continues:

—and (2) that in the event, which I consider extremely unlikely, that the twice monthly averaging period presented unexpectedly serious problems, it would be desirable to be able to revert to the monthly averaging period without having to seek new legislation.

The letter then continues, and this is the important part:

To avoid any misunderstanding, I am writing now to inform you that it is my intention to go to a twice monthly averaging period 12 months after the new act comes into force.

That is the end of the letter as quoted in the Telex from the president of the Royal Bank of Canada. The Telex to the chairman of the committee from Mr. McLaughlin continues as follows, and it is important to have this on the record also:

While this is within the letter of the section as amended you—

That is the chairman of the committee.

—will no doubt recall that when the subject was introduced before your committee by the former inspector general of banks it was proposed as a stand-by power which would be used by the Bank of Canada in unusual circumstances and not as a normal method of operation.

That is to say, in accordance with the extract from Mr. Elderkin's evidence which I read a few moments ago, Mr. McLaughlin is pointing out that when the amendment was introduced in the committee it was represented by Mr. Elderkin that the twice monthly averaging provision, which was contained in a "notwithstanding" clause, was regarded and would be used as a stand-by power only to be brought into operation if monetary conditions changed and the exigencies of a particular circumstance required it, but that the normal practice would be to have a monthly averaging period as had been the case for many years past. The telegram from Mr. McLaughlin continues:

As the action which the governor now proposes is so contrary to the spirit of the section if there is another opportunity to do so we would like to have representatives of the banks appear before your committee again to review the matter.

In other words, all this particular telegram suggests is that the committee should be reconvened and an opportunity given to the representatives of the banks to discuss the clause as amended in the committee and to discuss the statement of intention by the governor of the Bank of Canada as outlined in the letter to the chartered banks from which I have just quoted.

[Mr. Fulton.]

I must say that it seems to me in all seriousness that the request of the bank is justified, reasonable and should be acceded to, because it is clear from a reading of the wording of the amendment and from a reading of the evidence given by Mr. Elderkin that it was represented very clearly to the committee, I am sure in perfectly good faith, and was therefore represented to the banks, that so far as the averaging system was concerned in connection with the maintenance of cash reserves, it would continue as a matter of routine on a monthly basis, and all that was being asked for were stand-by powers to put it on a twice monthly basis if an emergency situation justified it, and it would revert to a monthly basis after the emergency situation which had given rise to that requirement had passed.

I think the banks are told by the Governor of the Bank of Canada in the letter I have quoted that precisely the reverse is the situation, that it is his intention after a year to require that the banks go on the twice monthly system, that that will become the rule for the future and that only occasionally—he does not even say he will do it occasionally, but one assumes that it is a power that will rarely be used—will it be put on a monthly system. So the situation is entirely the reverse of the understanding given in the committee.

I for one would certainly have pressed the point I made in the earlier proceedings of the committee before the amendment was introduced, and would have suggested an amendment in the committee, had we been given to understand at the time the amendment was before us that it would operate and was intended to operate in the way in which the Governor of the Bank of Canada now says. I am quite sure the representatives of the banks who were then before the committee would have asked for and would have been allowed the opportunity to present their point of view and their objections to the proposed methods of operation and the reasons therefor.

Whether or not I be right in my impression and suggestion as to how this situation should operate—and I think I am; the minister may think the other way—under our method of proceeding we should not come to conclusions and enact legislation without the opportunity for discussion, and understanding all its effects and intent. It may be that even after such discussion the view I represent will not prevail, but at least we will have had a full opportunity of placing the case before the

minister, and hearing the minister's case, as to why it is desired to operate in this way. We have not had that opportunity to the present time because discussion was forestalled by the explanation given when the amendment was introduced.

As to the method of procedure, I appreciate that it would be unacceptable to the government, because of the timetable and the timing situation that now faces us, to refer the bill back to the committee because we have to get it through the house. I have strong criticism of the government in this connection because it is their responsibility; but this is the situation we are in and the welfare of the banking system and financial institutions of this country require that we now reach a decision. So I am not suggesting that the bill be referred back, or even that the clause be referred back to the committee. I am suggesting that the subject matter of the relevant section in the Bank of Canada Act and the relevant section in the Bank Act be referred to the committee for consideration, so they may hear representations and may then again report to the house.

This would not take the bill or any portion thereof out of the jurisdiction of this committee of the whole. It could be proceeded with without delay. The only other objection I can see the minister making—and he referred to it this morning—is that it would be difficult for hon. members to sit in committee of the whole on the bill, if they were sitting in the standing committee considering the subject matter of these two sections as I have suggested. But I think that difficulty can be resolved very simply. It should not take us very long to complete our reconsideration and the hearing of evidence on these two very isolated sections. The principle is clear. I would think we could dispose of this matter in two sittings. The committee might well sit at eleven o'clock in the morning one day and eleven o'clock in the morning another day when the house does not meet until 2.30 in the afternoon.

I am quite sure that even with the greatest optimism the minister does not think he will get his legislation through the house in less than two days. Therefore we will not have prejudiced the consideration of the legislation in committee of the whole. We would have completed our reconsideration of the subject matter of these two sections in the standing committee and could then report back to the house and incorporate that report in the overall consideration of the bill, without prejudice to the progress of this legislation through committee of the whole and third reading in the house.

• (4:30 p.m.)

I therefore urge the minister very strongly to introduce without delay on Monday morning a motion having the effect of referring the subject matters of these two clauses back to the standing committee on finance, trade and economic affairs.

When the minister replies to my suggestions I would also like him to deal with the effect of the amended section 72 in the Bank Act and the related clause in the Bank of Canada Act, and to tell us which statement of intention represents government policy. I do not wish to embarrass the officials, they are both excellent men with excellent records of service to parliament and to the country. But the fact is that they have given diametrically opposite explanations of the way in which this section will work. Perhaps the minister can reconcile them. He is even more ingenious than I give him credit for, but perhaps in giving his explanation he will remove some of the real concern that I have.

I think I have taken enough time of the committee at this stage, and I would appreciate it if the minister would deal with the matter now.

Mr. Sharp: Mr. Chairman, two separate questions have been raised by the hon. member for Kamloops. One of them relates to clause 9 (5) of the bill that is now before us, the clause which deals with secondary reserves. Then he has raised a question quite legitimately I believe in connection with clause 72 of the bill that will amend the Bank Act, the clause which deals with the determination of cash balances.

I submit in the first place that these two matters are not sufficiently closely related to have to be considered together. Later I will explain why clause 9 (5) is in its present form and the purpose of that subclause. But first let me deal with the obvious conflict between the testimony given by Mr. Elderkin and the letter written by the governor of the Bank of Canada to the general manager of each of the chartered banks. This matter was brought to my attention just the other day; I had not been aware of this conflict previously. There is no doubt that there is a genuine conflict of presentation. The governor of the Bank of Canada in proposing this change in the determination of cash reserves had originally proposed, and this had been included in Bill

C-222 as it went to the committee, a twice monthly averaging period. When that clause was discussed with the governor of the bank when he first appeared before the committee no questions were raised. At that time the proposal was for twice monthly averaging.

Mr. Fulton: May I offer what I think is a correction? I raised this matter with the governor of the Bank of Canada at the first opportunity. As the minister will remember, he appeared before the committee once and then had to go abroad for a trip. I did not raise it with him on his first appearance but I would like it to be quite clear that I raised it at the first opportunity in the committee.

Mr. Sharp: I accept that explanation. I am not trying to score points here; I am simply trying to clarify the situation as it appears to me. The governor of the Bank of Canada then suggested to me that because of the particular problems involved in making the transition from the present method of determining cash reserves to the proposed method, the bank would be willing to accept an option which would enable it to revert for any period to monthly averaging if, for some reason not foreseen by the bank, this should prove to be desirable. If the option were to be available, the bank would propose to retain monthly averaging during the transition period when the minimum cash ratio is being shifted from a uniform 8 per cent rate to the split rates of 4 and 12 per cent provided in the new act, and, as the hon. member for Kamloops has pointed out, the banks have been so informed.

The particular form of the amendment that is now before the committee, and that was before the standing committee of the house, was determined by technical considerations of legal drafting relating to the retention of monthly averaging in the transition period. When Mr. Elderkin appeared before the committee on February 15, 1967 I regret to say that, perhaps because he misunderstood the position of the bank, he misrepresented the purpose of the amendment. In writing to the general managers of the chartered banks the governor of the Bank of Canada put forward the purpose of the amendment as he had proposed it. Therefore I can only say to the hon. member for Kamloops that Mr. Elderkin did misunderstand the purpose of the amendment and regrets very much that he misled the committee as to the way in which the Bank of Canada intended to use this clause. There was never any misunderstanding in the mind of the Bank of Canada about it. I would like to join with the hon. member for Kamloops in paying tribute to Mr. Elderkin because this is the only mistake that he made in his long appearance before the committee.

[Mr. Sharp.]

Mr. Fulton: I agree.

Mr. Sharp: He is aware of this and he is not quite sure how the misunderstanding arose.

Mr. Cameron (Nanaimo-Cowichan-The Islands): Will the minister permit a question? I presume he has seen the full text of Mr. Rasminsky's letter to the banks. I presume that the letter specified, as is set out in the clause, the number of months in which the twice monthly average is to apply. Is that correct?

Mr. Sharp: Yes. Perhaps I might put the letter on the record so that the committee will understand the situation fully. I have here only a copy of it. I am not quite sure of the dates on which it was transmitted to the various general managers, but it has been sent to the general manager of each of the chartered banks. It reads as follows:

> You will no doubt know that the House of Commons committee on finance, trade and economic affairs accepted a government amendment to the proposed Bank Act dealing with the twice monthly averaging period. I am attaching hereto a copy of the relevant section as it appears in the bill reported to parliament.
>
> In asking the government to introduce this amendment I had two considerations in mind: (1) that it would be desirable to complete the transition to the new method of calculating cash reserves, i.e. the 12 per cent-4 per cent formula, before introducing the twice monthly averaging period, and (2) that in the event, which I consider extremely unlikely, that the twice monthly averaging period presented unexpectedly serious problems, it would be desirable to be able to revert to the monthly averaging period without having to seek new legislation.
>
> • (4:40 p.m.)
>
> To avoid any misunderstanding, I am writing now to inform you that it is my intention to go to a twice monthly averaging period twelve months after the new act comes into force.

Now, as the committee will see, that represents a very different position from the position set before the house committee by Mr. Elderkin.

Mr. Cameron (Nanaimo-Cowichan-The Islands): But it is a requirement that the Bank of Canada shall specify in advance and give each chartered bank written notice of its action specifying the month for which it will be effective.

Mr. Sharp: I am sure my hon. friend will agree with this, when I say this is not law as yet, and all the governor of the Bank of Canada has done has been, for the convenience of managers, to say that if this does become law this is the way in which he intends to operate. When this bill does become law, then of course he will comply with the requirements of its terms. This is simply a statement of his intention so that the managers of the chartered banks will be aware of it in plenty of time.

Mr. Cameron (Nanaimo-Cowichan-The Islands): The minister says "aware in plenty of time", but are they aware of whether it is going to be a permanent, continually ranging innovation or whether there is a specific period that the bill calls for?

Mr. Sharp: I can assure the hon. member that the governor of the bank will certainly comply with the bill when it becomes law. He is talking about the intention of the government in introducing the amendment, and he is talking about the committee having accepted this proposal. He said, "to avoid any misunderstanding", and he had in mind I believe Mr. Elderkin's explanation to the committee, which must have confused the bankers. He set before them his intention when this bill becomes law and he will of course comply exactly with its requirements.

Mr. Cameron (Nanaimo-Cowichan-The Islands): I do not wish to attack the governor or Mr. Elderkin, but it does seem to me Mr. Elderkin's explanation was more in consonance with the bill than the governor's letter. While he has given the banks notice of the date on which he is going to impose this, he has not told them for how many months he is proposing it. It seems to me if he were going to give them a warning he should have given them a warning about the whole of his actions.

Mr. Sharp: That may be so, Mr. Chairman, but I am sure Mr. Rasminsky did not want to anticipate, any more than he has now. I believe his purpose was to clear up the misunderstanding that arose from Mr. Elderkin's statement in which the contrary, in a sense, was suggested by Mr. Elderkin. I am sure that is the purpose the governor had in writing, because he begins his third paragraph with the words, "to avoid any misunderstanding".

Mr. Fulton: I appreciate the minister's explanation and I accept without any reservation that the conflict between the testimony of the two officials was entirely inadvertent. I certainly agree that was the only mistake Mr. Elderkin made in his presentation during the consideration of a long, complicated piece of legislation, and many complicated amendments. I have no criticism to offer on that score. However, I think the minister will appreciate, and I certainly appreciate his frankness in admitting it, that the effect of the interpretation or explanation given by Mr. Elderkin was to disarm those who are interested in this matter, from a contrary point of view, that is to say the banks on the one hand who do not want to be placed on a twice monthly averaging system, and the members of the committee on the other who feel that no sufficient case was made for placing the banks on a twice monthly averaging system.

We were in a position where an amendment was introduced into the committee which was entirely consistent with Mr. Elderkin's explanation because the first subclause provided that the bank shall maintain a cash reserve, and the second subparagraph reads:

> Notwithstanding subsection (1), upon the coming into force of this act, the cash reserve percentage shall be—

Then, there is a reference to 8 per cent of one thing and 8 per cent of something else. If you go right down to subclause (2), you will find no reference to a twice monthly basis. It is not until you get to subclause 3 that you find the following:

> Notwithstanding subsection 1, the cash reserve to be maintained by the bank pursuant to subsection 1 in any month following the twelfth month after the coming into force of this act shall, if so required by the Bank of Canada, be not less on the average during each of the two separate periods comprised of the first fifteen days of that month and the remaining days of that month—

It is not until you get to subclause 3 that you find this "notwithstanding" provision. It is therefore consistent with Mr. Elderkin's explanation that what is being taken here, as it were, are stand-by powers to bring in a twice monthly system if the exigencies of the monetary system require it, but normally it will be on a monthly basis. I am not saying the section does not permit the operation outlined in the letter of intent from the governor of the Bank of Canada. It does, although in my submission it is more consistent with Mr. Elderkin's explanation than it is with the method of operation intended to be followed

by the governor. However, I am not basing my case at the moment on that.

What I am saying is that because, when the committee accepted the amendment, discussion was thereby terminated, that was done on the basis of Mr. Elderkin's explanation and because at least a substantial number of the members of the committee were in agreement with that explanation. They felt that this was the proper way to operate. In the light of that situation, there was no further discussion on the effect of the section now set out by Mr. Rasminsky.

So, I come back to my point. I wish the minister had said that Mr. Rasminsky was going to modify his intention because I think that would be the better way. The minister has implied, if he has not said directly, that the method of operation outlined by the governor of the Bank of Canada in his letter is authorized, if you like, by the section as amended, and that this is the course that will be followed. In other words, I take it from what the minister said there was no question of modifying the expression of intent contained in Mr. Rasminsky's letter. Therefore, sir, we are in a position, with the purest of motives if you like, where the members of the committee were misled on the basis of a misunderstanding introduced in their minds when the amendement was accepted without further discussion.

Therefore, sir, I press the minister again to relieve the effect of that innocently caused misunderstanding, but nevertheless a misunderstanding, and to place us back in the position where we should have been had we had a clear interpretation, namely in a position to discuss the amendment on its merits and hear representations from those concerned on the effect of the amendment. This can be done quite simply by referring the subject matter of the two portions of the two bills back to the committee.

If the minister thinks we do not need to refer this portion of Bill No. C-190, I would not press that point. I think at least we should get assurance that the subject matter of clause 72 of Bill No. C-222 will be referred back to the standing committee. Then, we could let the matter go on the basis of a misunderstanding. It seems to me then that the banks, who after all have a responsibility and a very important role to play in the country, as well as the members of the committee, will feel that their consent to an important, and in a literal sense radical change, was obtained on the basis of a misunderstanding, if the minister does not consent to this course.

[Mr. Fulton.]

• (4:50 p.m.)

When the fact of the innocent misinterpretation was drawn to the minister's attention, instead of following the course which would put the parties back where they were before the minister put himself into the position of being accused of taking advantage of that misunderstanding. I know the minister would not want to do that, and therefore I hope that he will accept my proposal for a reference back.

Mr. Sharp: Mr. Chairman, may I complete this discussion briefly. The form of the amendment that was placed before the committee by Mr. Elderkin was determined by technical considerations of legal drafting relating to the retention of the monthly averaging in the transitional period when the minimum cash reserve was switching from the present 8 per cent to the split rates of 4 and 12 per cent. That was the intention, and that is why one precedes the other.

I am sure the hon. member for Kamloops would agree that the government would not have placed before the house in the first instance a bill which gave no alternative at all, but simply required a twice monthly averaging, if the government had intended this to be only a stand-by provision. That was the first proposal made by the government.

On the substance of the matter, Mr. Chairman, may I say that this question has been very thoroughly discussed with the bankers by the Bank of Canada. The bankers do not like it. There is no testimony they are going to give, if I may say so, that is going to change their dislike for it.

I believe—and I hope the committee will agree with me—that this is a desirable improvement in the control of monetary policy. Indeed, it may come as some surprise to the committee—though perhaps not—to know that in the United Kingdom cash reserves are determined daily and in New York weekly. It is because of this long monthly averaging period that there is some unpredictability as to the effects of the actions of the Bank of Canada upon the money market. One cannot tell at which stage of the averaging period any particular bank is, with the result that the other banks do not know what effect may be exercised upon monetary conditions by the attempt of that bank to restore its average position either up or down.

In fact, Mr. Chairman, the averaging period is too long for the purpose of giving adequate control and predictability to monetary policy, and so I do urge upon the committee that we should not receive further evidence.

May I return for a moment to the original point that I was making, which was to suggest that we can discuss the merits of subclause 5 of clause 9 without any relation to the cash reserves required under the Bank Act. In conclusion, I say only this, that I think the hon. member for Kamloops had every justification in raising the matter. It was a case of some misunderstanding, where the committee was led to believe that the clause was for a purpose other than that which was intended.

Mr. Fulton: Mr. Chairman, I do not intend to discuss the merits here; I will do that when we get to the relevant clauses. However, I do intend to press my point that the proper course would be to refer the subject matter of these clauses back to the committee. Unfortunately I cannot make a motion to this effect at this stage; again I suppose I will have to wait until we reach the specific clauses.

However, in pressing my point I feel bound to express a degree of sharpness of criticism of the minister which hitherto I had carefully avoided. I wanted to see, when we had exposed the fact of the misunderstanding, whether the minister would adopt what I think is a reasonable course. I regret that he has not adopted that course, and I must say that in giving an apparent reason for that refusal the minister has exhibited an arbitrariness of attitude which I find amazing and quite inconsonant with the spirit whch should be shown in considering this type of important legislation.

In effect, Mr. Chairman, what the minister said was that because he had discussed the matter with his officials and because he was satisfied that what was contained in this new clause was a good innovation, it was not necessary to hear further representations, or even desirable to hear further representations. Therefore, the hon. gentleman did not think it would be proper to call these witnesses back before the committee, even though a misunderstanding had been created by the evidence which had been given by one of his officials, on the basis of which the clause was accepted. In other words the minister is saying: "My mind is closed. Don't bother me with the facts, my mind is made up. I don't want to hear any more representations. I do not even want the members of the committee to hear the other point of view because it might influence their decision".

Why on earth should we as members of parliament not take advantage of what the committees system was designed for, namely the hearing of the evidence of experts as to important legislation having far reaching and permanent effects? Notwithstanding the responsibilities and the prestige of the Minister of Finance, I suggest to him that he would do well to bear in mind that there are other experts in the field besides the minister and his own officials.

Mr. Sharp: One of them is speaking now. I would be very happy to listen to any representation he would care to make.

Mr. Fulton: That is of course, Mr. Chairman, an absurd and almost arrogant attitude to take. I do not pose as an expert. I have not even had the benefit of hearing the evidence of these expert witnesses.

Mr. Cameron (Nanaimo-Cowichan-The Islands): Mr. Chairman, I rise on a point of order. The hon. member for Kamloops is discussing a provision of an entirely different bill. I would not have interrupted him had I not strongly disagreed with the report he has given of what happened in the committee. The representatives of the chartered banks did discuss this matter at great length. Whether or not the hon. member was there I do not know, but they certainly discussed before the committee the whole question of bimonthly averaging. Even the representative of the Royal Bank of Canada discussed this question when he was on the stand, though quite unconvincingly as far as I am concerned.

The Acting Chairman (Mr. Richard): Order. It being five o'clock it is my duty to rise, report progress and request leave to sit again at the next sitting of the house.

Progress reported.

The Acting Speaker (Mr. Richard): It being five o'clock the house will now proceed to the consideration of private members' business as listed on today's order paper, namely public bills, private bills.

• (5:00 p.m.)

CRIMINAL CODE AMENDMENT

AMENDMENT RESPECTING ELECTRONIC LISTENING DEVICES

Mr. Robert Stanbury (York-Scarborough) moved the second reading of Bill No. C-45 to amend the Criminal Code (wire tapping, electronic eavesdropping, etc.).

He said: The subject matter of this bill is something which is of wide public interest and concern. Perhaps this concern is still not wide enough. I certainly feel that the concern is not wide enough in this house on the subject of the invasion of privacy.

As hon. members know, there are several private members bills on the order paper dealing with wire tapping and electronic eavesdropping. My bill, No. C-45, like the one which was debated recently, was filed before the commencement of this parliament in an attempt to ensure that the question of the invasion of privacy by electronic eavesdropping would be examined by this house and in the hope that there would be a public investigation into the extent of electronic eavesdropping in Canada today.

Bill No. C-45 now under discussion is I believe the first bill to suggest the outlawing of electronic eavesdropping as such. The bill previously discussed did deal with wire tapping. There is, however, a much wider field for the invasion of privacy by electronic means today. This bill would outlaw wire tapping as well as all other forms of electronic eavesdropping except in cases where it is approved by a judge of a superior court of criminal jurisdiction who has been satisfied of its necessity by information under oath, in advance of the use of this investigative tool.

I am sure no sponsor of a bill such as this would suggest that law enforcement authorities should be deprived altogether of the most modern and powerful means which may be put at their disposal for the prevention of crime and the bringing of wrongdoers to justice. What this bill does suggest is that electronic eavesdropping and wire tapping are so drastic in their nature and go so deeply to the heart of our freedoms that this method should not be used in the absence of the strongest control and justification.

The police authorities themselves recognize the serious dangers inherent in present practices involving electronic eavesdropping. The chairman of the Metropolitan Toronto Police Commission, Magistrate Charles Bick, complained recently that wire tapping has become "one of the most despicable invasions into the right of privacy" and that "no one on a government level where change could be made seemed interested in any degree".

This is a serious charge by a police official, implying that the means of electronic eavesdropping available to police are much too readily available generally. It brought to our attention the fact that these methods are open not only to the police but to private investigators and to ordinary citizens.

There is in fact no federal or provincial law in Canada which prohibits electronic eavesdropping. It is difficult to read a daily newspaper or a current periodical without being aware that our right to privacy is in grave danger at the hands of people who would use electronic eavesdropping devices improperly.

I understand that recently the Attorney-General of Ontario said in the provincial legislature that he knew of no agency in Canada which would tell a subscriber for a fee whether or not his telephone was being tapped. It would seem to me that the attorney general of Ontario may have been closing his eyes to the existence of several hundred private investigators who are licensed in the province, and who make no secret of the fact that these facilities are available to their own clients. He could not have seen the reams of literature which are available to those who are interested in purchasing electronic surveillance equipment.

I have a number of catalogues here which are reminiscent of catalogues put out by Eaton's or Simpsons-Sears from which any member of this house or, for that matter, any person in Canada as well as in the United States can purchase the most exotic selection of electronic listening devices. Perhaps I can refer to a few of them to indicate how sophisticated they are.

Here is a "briefcase undercover automatic tape recorder". The recorder can be used outside the briefcase and with the aid of an automatic telephone tap device which can be purchased as an accessory, telephone conversations can be recorded secretly and automatically: only $195. Then there is the "police professional listening-in device." I may say there is no indication here that it is available only to police. In fact it is generally available. The catalogue says:

> This unit is for listening in on conversations away from where the conversation is taking place. With the super-sensitive microphone planted in the room, the operator can be as far away as 1,000 feet in another room, floor or even in another building. Whispers can be heard with the super-sensitive microphone as far as 12 feet away, $119.

Another unit, a smaller edition of the same thing, costs $45. Then customers are offered a "pocket model listening-in device, battery operated," said to be ideal for listening in on conversations away from where the conversation is taking place: only $39.

Then the reader is offered a "wall contact listening-in unit" which the catalogue describes as follows:

> The battery operated unit will enable you to listen to conversations through walls, etc. No need to run wires to "bug" a room, simply place the unit against the wall and the conversation will be heard through the super-sensitive earphones that are provided.

• (5:10 p.m.)

This, Mr. Speaker, is available for $69 if you would like to send in your order to Criminal Research Products Inc., in Pennsylvannia. I have other catalogues here advertising other similar exotic devices and some of the names of these devices are almost as exotic as the devices themselves. For instance there is the Tiny Tattler FM voice transmitter, only half the size of an L&M cigarette pack; there is the Little Sentry, only one-sixth as large as a cigarette package, and there is the Tiny Tim FM voice transmitter. These are all readily available not only to Americans but to Canadians, not only to police but to private citizens.

The technology of snooping has developed to such a degree that really the future of snooping is unlimited under our law, or rather our lack of law. I understand solid state transmitters can now be made about the size of a postage stamp, and not much thicker. Eventually they will need no outside power source because they will be able to draw power from the electrical energy which is put out by regular broadcasting stations. Some of the new laser beams and sonics will be fully adapted to snooping. So, Mr. Speaker, we are certainly entering, if we have not already entered, an era of electronic anarchy.

I know that the Solicitor General (Mr. Pennell) has told the house, and some spokesmen for my own party have said in previous debate on this subject, that we should wait, that we should not investigate this field at the moment because it is undoubtedly being considered by the Royal Commission On Security. I cannot accept that suggestion. Quite possibly this would be a valid subject for consideration by that royal commission, but for all we know it may be months or years before that commission reports. In the meantime this "despicable invasion into the right of privacy," as it is described by the chairman of the Metropolitan Toronto Police Commission, persists and grows more serious day by day.

I see no reason why this bill, and perhaps the other bills which are on the order paper dealing with the whole question of invasion of privacy by wire tapping and electronic eavesdropping, could not be referred to a committee, possibly the committee on justice and legal affairs, on the express understanding that it not delve into the security aspects of this problem at the present time. It seems to me an abdication of the responsibility of this parliament to watch the development of this very serious intrusion into one of the basic rights of the citizens of a democracy without at least conducting an investigation into its extent here in Canada.

For the past year such an investigation has been going on in the United States senate, and hon. members will be aware that the President of the United States has asked congress to pass a bill outlawing wire tapping and electronic eavesdropping entirely, except in investigations into matters of national security. Personally I am not sure that we should go that far. I am not sure that we should be even as restrictive as I have suggested in my bill. It may well be, as other hon. members have suggested on other occasions, that there are more minor offences where this means of detection and investigation should be permitted to the police. But, Mr. Speaker, it is incontrovertible that this is a serious problem for our society, that it is something which parliament surely must investigate in the hope that some remedial measures will be undertaken just as soon as possible. Surely we cannot afford to wait for the report of a commission which has only just started to sit.

Parliament lately has been too often accused of being very energetic and resolute in throwing itself into tackling the problems of the past. Here is a problem of the present which is so basic to our democratic concepts that it threatens to destroy them if we in parliament do not tackle the problem soon. I appeal to hon. members, and most particularly to the Minister of Justice (Mr. Cardin) and the Solicitor General, who unfortunately are not in the chamber, and to their colleagues in the government, to recognize this threat to our individual freedoms—to recognize it by asking this house to have the subject matter of these bills referred to a committee so that there may be an opportunity for the public as well as for hon. members to familiarize themselves with the nature of this most insidious problem, before it has proceeded to the point where all of us will regret we have neglected our duty on this most modern form of intrusion into the rights of Canadian citizens.

Criminal Code Amendment

Mr. S. Perry Ryan (Spadina): Mr. Speaker, while the hon. member for Kootenay West (Mr. Herridge) stated on February 24 last that the question of wire tapping was the concern of a number of people as far back as 1924, when many modern devices had not been invented, still it remained for the hon. member for Brant-Haldimand (Mr. Pennell), who is now our Solicitor General, to initiate some concrete proposals with respect to the subject. He originally introduced Bill C-103 in 1964, and we saw it again on the order paper as Bill C-72 in 1965. This is essentially the same bill as the hon. member for Winnipeg North (Mr. Orlikow) introduced as Bill C-33 in this session.

Bill C-33, as you know, Mr. Speaker, was debated during private members' hour just two weeks ago. The bill we presently have at hand, No. C-45, introduced by the hon. member for York-Scarborough (Mr. Stanbury), is essentially the same bill as the original one introduced by the Solicitor General, save that it does incorporate some very definite improvements. It covers all private communications that are intercepted by, I presume, any mechancial or electronic, or possibly even natural device or instrument, whereas Bill C-33 dealt only with wilful interception, by means of an instrument, of any telephone or telegraph communications.

Personally I like Bill C-45 very much better and am all in favour of the principle that its sponsor seeks to have adopted. But I do not think the sponsor himself really anticipates that his bill will be passed in its present form, as there are many legal and technical niceties to be taken care of and considered before a really workable statute can be enacted by parliament.

• (5:20 p.m.)

I feel that a further amendment should be made to the Criminal Code to define the words "private communication" and to define the words "intended receiver" in particular. It seems to me that the ordinary meaning of these words should be explained and in some measure perhaps both enlarged and restricted. For instance, a secondary sender in certain circumstances might be an intended receiver and yet have no business recording a private communication.

I agree with the hon. member for Durham (Mr. Honey) who spoke in the debate on Bill No. C-33 on February 24 last, when he said that a judge of a superior court of criminal jurisdiction should not be the only judicial officer to whom an application could be made under the proposed new section 429A of the Criminal Code. I feel definitely that law enforcement officers and others entitled to make applications such as are proposed should not have to travel unnecessary miles, put in the required time and pay the necessary expenses to wait upon a superior court judge.

I believe a better amendment to the Criminal Code would be one which would provide the following words at the commencement of proposed section 429A:

> a judge of a superior court of criminal jurisdiction or of a court of criminal jurisdiction".

A court of criminal jurisdiction is already defined in this way under the interpretation section of the Criminal Code, which is section 2(10) thereof:

> (a) a court of general or quarter sessions of the peace, when presided over by a superior court judge or a county or district court judge, or in the cities of Montreal and Quebec, by a municipal judge of the city, as the case may be, or a judge of the sessions of the peace,
>
> (b) a magistrate or judge acting under Part XVI, and
>
> (c) in the province of New Brunswick, the county court;

I believe that the inclusion of the words "court of criminal jurisdiction" would improve the proposed amendment. I know from practice in the province of Ontario, as does the hon. member for Durham, that it would be far more practical to make an application, along the lines proposed, to a county court judge.

I should like to point out to members of the house that a search warrant can be obtained by any peace officer on application to a lowly justice of the peace. A search warrant allows an invasion of a person's privacy which is equally as devastating or perhaps more devastating than a wire tap.

In looking further at the proposed addition of section 429A to the Criminal Code I feel that although the right of all individuals to private communication should not be interfered with lightly, the requirement that an applicant must produce to the judge "reasonable grounds to believe that evidence of an indictable offence punishable by imprisonment of ten years or more may be obtained by the interception and so on" does not sufficiently cover the field of the more serious crimes. Personally I do not feel that the wording "ten years" is the right wording there. I would reduce the period to five years.

In England the test is any serious crime which would likely bring three years imprisonment. I would suggest that in Canada the

ten year provision should be reduced to at least five years, so that then the section could be employed to obtain evidence in relation to such criminal activities as unlawful military drilling, unlawful possession of bombs, grenades or explosive weapons, the carrying of offensive weapons for dangerous purposes, the breach of trust by a public officer, prison breaks and fraudulent stock market transactions.

Mr. Speaker, I could not possibly disagree with the principle of this bill. In fact I wholeheatedly support the general principle. I should like to see this bill evolve and become law, as I believe would most hon. members in this house, but I want to see the best possible bill after most thorough consideration. I hope that the discussion on this and similar bills will be considered by the Royal Commission on Security, which likely will be dealing with this whole problem when it delves into the entire question of security in Canada.

I do not think it would be wise for the government to finalize a bill to deal with wire tapping and electronic eavesdropping until such time as the report of the Royal Commission on Security has been tabled. On the other hand, I hope this report will not be delayed too long because all our communications and every individual in this modern era in effect are threatened by a modern electronic sword of Damocles. Wire tapping and electronic eavesdropping certainly should be controlled and the public should be informed concerning just what can and cannot be done by the authorities and others in the field. It is imperative also that regulations as to the use of a telephone by prisoners in police stations, jails and other places of incarceration should be made, understood and enforced. If lines are bugged, should the regulations be posted in all institutions? Similarly, should fair warning also be given in such institutions that letters are likely to be opened and inspected?

A couple of weeks ago the hon. member from Durham advised the house that there is no authority in Canada to open letters. There is no authority under the Post Office Act of Canada, but under the regulations of the Penitentiary Act, there is a discretionary power vested in those who are in charge of federal institutions to open incoming and outgoing mail. Therefore, there are many problems in connection with an enactment of this kind to be considered.

Should there be some exceptions in Bill C-45, in addition to the exception concerning a judicial order? Should the general prohibition be further qualified by some stipulation in favour of jails and police stations? What about people who listen in on party lines? Is there a danger that they might run afoul of a measure such as this? Is the old time country sport of listening in to be rewarded in the future by a jail sentence? I submit that this would be a harsh law in this country, even at this late date. There still are many party lines in use throughout the countryside. I am sure that prosecution of a person who listened in on a party line would create quite a problem, if initiated under a statute such as this.

• (5:30 p.m.)

Possibly there should be an exception in favour of those who listen in on party lines, or perhaps the penalty should not be so severe in such cases. Should there be an exception in respect of wartime threat or should there be special measures drafted only upon the outbreak of war?

What about our customs and excise officers? Should there be an exception in their favour? In England the customs and excise officers simply apply to the secretary of state and get permission to open letters and, I understand, to go somewhat further in the tactics they employ, which involve interventions in individual privacy. What about our own security service, the R.C.MP.? Should they or should they not have some special powers set out in an enactment of this kind?

Mr. Speaker, I am advised that the Department of Justice has received a number of recommendations on wire tapping and electronic eavesdropping. The deputy attorney general of British Columbia has forwarded a resolution of the Vancouver city council in favour of a Criminal Code amendment to restrain wire tapping.

By resolution dated October 26, 1964, the council of the corporation of the city of Toronto indicated that it is

—categorically opposed to the unrestricted use, whether in the process of law enforcement or otherwise, of any kind of mechanical or electronic device for intercepting or overhearing words spoken in conversation by one person to another and not intended to be heard by the person using such device—

They expressed the belief that

—the use of such devices is an offence against an individual's right to privacy, and as such should be forbidden under all circumstances except where a superior court judge otherwise orders for the purposes of criminal investigation in extreme cases.

The Bell Telephone Company of Canada, by letter dated February 14, 1966, has urged, in effect, that the government sponsor legislation in relation to wire tapping and has offered its co-operation in studying the subject. Also, the Canadian Association of Chiefs of Police, at their 1965 annual meeting, proposed that

> —in the interests of the crime victim, or the potential crime victim, that we require federal legislation to authorize the police to tap, oversee or superintend telephone messages and or telephone conversation to get evidence, information or intent of criminal activity, by order of a justice and that it be an offence to tap or supervise telephone conversation unless such order has been obtained.

It may be of interest to note also that the national conference on the prevention of crime, consisting of members of the bench, bar and university faculties, came to the following conclusion in regard to wire tapping and the use of electronic devices, as expressed in the final release from the conference dated June 3, 1965:

> There was a general feeling that the law should control the use of wire tapping and concern was expressed at the implications which technological advances in electronic eavesdropping may involve so far as the citizen's right of privacy is concerned. A wide measure of support was exhibited among the conference participants for the control by legislation of wire tapping, it being felt that specified procedures should be worked out whereby the courts could govern the resort to wire tapping by law enforcement agencies and that this should only be permitted in the detection of certain types of crimes.

The matter of wire tapping was also considered at the conference of attorneys general on organized crime held in Ottawa on January 6 and 7, 1966.

The attorney general of Saskatchewan advised that legislation in relation to wire tapping has already been prepared in that province and that the government intends to proceed with the legislation at this present session of the legislature. He left open, however, the possibility of federal legislation as a preferable solution.

A number of provinces expressed themselves as being in favour of wire tapping legislation, these being Quebec, New Brunswick, Manitoba, Prince Edward Island, Alberta and Newfoundland. Two provinces expressed doubt about the proposal. Nova Scotia doubted its desirability and questioned also whether the matter might not preferably be left to provincial legislation.

The attorney general of British Columbia emphasized that wire tapping is only one part of a larger problem, that of the use of electronic techniques generally, and suggested that the real need is for a broader study of the various new and sophisticated techniques of surveillance that have been developed in recent years, and for means of resolving the difficulties surrounding the admissibility of such information in evidence. A number of provinces emphasized the importance, in any event, of providing stringent safeguards in any legislation.

Some of the questions that receive attention in Bills C-33 and C-45 were the subject of a study in the United Kingdom by the committee of privy councillors appointed to inquire into the interception of communications. Three privy councillors were appointed, commonly known as the "Birkett committee"—

> —to consider and report upon the exercise by the Secretary of State of the executive power to intercept communications and, in particular, under what authority, to what extent and for what purposes this power has been exercised and to what use information so obtained has been put; and to recommend whether, how and subject to what safeguards, this power should be exercised and in what circumstances information obtained by such means should be properly used or disclosed—

The committee reported in October, 1957. The main conclusions of their report are set out in paragraph 8, which reads as follows:

> We set out our conclusions and recommendations at length in the pages that follow. The gist of our report may be thus summarized:—
>
> (1) The origin of the power to intercept communications can only be surmised, but the power has been exercised from very early times; and has been recognized—

Mr. Speaker: Order, please. I must advise the hon. member that his time has expired.

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, I rise to say a few words at this time because I am very much interested in the principles of this and other related bills dealing with this very important question. Let me congratulate the youthful and handsome member on the government side for his interest and his concern in and his introduction of this bill. Let me also refer him to Bill No. C-273 which I introduced in the house. A reading of that bill might broaden his knowledge of the difficult problems surrounding this subject.

Some reference was made to my first knowledge of wire tapping. I gained my first knowledge of this matter in 1920 when the Western Federation of Miners of Silverton and Sandon were on strike. They discovered that the mine manager had the wires tapped

between these two villages, some 30 miles apart, and was listening to the conversations of the union executives. Two men I knew well contacted two miners who came from Cape Breton, and from that point on the conversations were all carried out in Gaelic. The mine managers were completely confused and the strike was successful.

• (5:40 p.m.)

My second contact with wire tapping was in connection with the tapping of wires that were intended to relay advance information with respect to race track meets, and things of that sort, by persons interested in betting professionally. I have been interested in this subject for a long time, but my interest has been heightened recently by the tapping of the executive meeting place of the Pulp and Paper Workers of Canada. No doubt hon. members have read about this in the newspapers and have followed the course of this investigation. As soon as this matter was made public the premier of British Columbia appointed a commission of inquiry and Mr. Justice Sargent was appointed to undertake this work. After a considerable number of meetings, which were reported in some detail in the press, Mr. Justice Sargent said he intended to play the tapes that had been authorized to be taken by Mr. Pat O'Neal, former secretary of the B.C. Federation of Labour, so they could be reported by the press and recorded by the C.B.C.

It happened that these tapes were of an executive meeting, but after the executive meeting was over there was recorded on the tapes private conversations with regard to the men's intentions in connection with the building of a house, purchase of property, and things of that sort. They protested very vigorously against the action that was contemplated in respect of the tapes and appealed to Mr. Justice J. O. Wilson of the Supreme Court of British Columbia against this practice. Mr. Justice Wilson listened to the appeal and his judgment was in favour of the union, namely that it was improper and unfair to play tapes in public of an executive meeting of a union, or other conversations carried on at the time the executive members were meeting in this hotel. He disallowed the inquiry on those grounds. Shortly afterwards the attorney general of British Columbia reconstituted the commission of inquiry, and Mr. Justice Sargent is carrying it on.

The president of the union has refused to answer certain questions on the basis that our Solicitor General (Mr. Pennell) instructed Mr. Justice Sargent that no questions were to be asked of Mr. Pat O'Neal with respect to his associations with the R.C.M.P. as an undercover agent prior to the incident surrounding the bugging of the hotel. Mr. Orville Braaten, who is now president of the union, refused to answer questions on that basis, and the union has again appealed to a justice of the supreme court for a decision on this matter. That appeal is now proceeding. In this connection I wish to quote from the Vancouver *Sun* of February 24, page 7. This article is headed, "Lawyer Attacks Bugging Probe. Supreme Court Hearing Set for Six-Point Assault," and says:

> A six-point legal assault on the royal commission on invasion of privacy will be launched Monday in B.C. Supreme Court by the lawyer representing jailed union leader Orville Braaten.

I might say that this union leader who refused to answer certain questions, based on a former decision, was led from the court in handcuffs and taken in that way to the jail. Anyone would think he was a Hoffa, or something of that sort, instead of a very responsible citizen who is a member of the N.D.P. and has run as an N.D.P. candidate. Anyway, Mr. Speaker, that is the treatment he received. This article continues:

> Mary Southin, lawyer for the president of the Pulp and Paper Workers of Canada, gave notice of her intention in Supreme Court on Thursday.

I have been in repeated contact with the executive officers of the union since this hearing was undertaken. The article continues:

> Commissioner R. A. Sargent committed Braaten for contempt after he refused Wednesday to answer certain questions about a dispute between his union and the rival International Brotherhood of Pulp, Sulphite and Paper Mill Workers.
>
> The 48-year old union leader was to appear today at the inquiry to be asked if he wishes to purge his contempt.
>
> In a scheduled court appearance Monday, Miss Southin will seek a declaration that section 11 of the Public Inquiries Act is ultra vires of the legislature of B.C.

I read the Public Inquiries Act in the statutes of British Columbia and am of the same opinion as Miss Southin, namely that it is ultra vires of the provincial jurisdiction. The articles goes on to say:

> This section was used by the government to authorize the Sargent commission to delve into the bugging of the PPWC convention by a private detective hired by international organizer Pat O'Neal.
>
> She will also ask for a declaration that the order in council passed January 3, 1967, recommending

Sargent be appointed commissioner under the Public Inquiries Act, is not authorized under the act.

Miss Southin also seeks a declaration restraining Sargent from inquiring into why members of the PPWC left the international to form the Canadian union, and whether their leaving "was justified morally, philosophically or legally."

She will also seek injunctions restraining Sargent from acting as commissioner, from committing any person to jail for contempt, from making any inquiry or finding in connection with the union rift.

If Braaten does not purge his contempt today, Miss Southin will also ask Monday for a writ of habeas corpus hearing for him. She will also seek to have bail set in his case.

She was given leave Wednesday night by Mr. Justice Peter Seaton to bypass the usual six clear days required for service of any action against the attorney general.

That action is proceeding at the present time. I wish to deal with the stir this has caused in the legislature of British Columbia, because I am one of those who is convinced that the only way this matter can be properly dealt with is by an amendment to the Criminal Code of Canada. I am inclined to agree with the opinion of the Solicitor General that we should not act hastily in this regard and should do everything we can to make sure that we enact the type of legislation that is required to cover this whole field. We should wait for the findings of the Royal Commission on Security, which is sitting at the present time, before reaching any conclusion in this respect. Legislation may be introduced in the meantime, but I think that before we finally adopt legislation that is intended to cover all aspects of this question we should give careful consideration to all that is involved in it.

I should like to read from an article which appeared in the Vancouver *Sun* of February 24. It is headed, "Abandon Bugging Inquiry, Opposition Chiefs Demand", and says:

The leaders of B.C.'s two opposition parties launched new attacks on the royal commission on eavesdropping Thursday night, demanding immediate suspension of the probe and introduction of laws to protect individual privacy.

Both N.D.P. opposition leader Robert Strachan and Liberal leader Ray Perrault said in statements issued outside the legislature that the inquiry is unnecessary because there is already ample evidence that electronic bugging is widespread.

Perrault charged that the commission was politically motivated.

And Strachan, who claimed the probe is off the track, anyway, said the Social Credit government is pressing on with the inquiry "for strange purposes of an unknown nature."

[Mr. Herridge.]

"No royal commission is needed to show that electronic devices are being used to invade the privacy of the individual," said Perrault, adding:

"A look at page 122 of the city of Vancouver telephone directory (yellow pages) and page 86 of the Victoria telephone directory shows that no royal commission is needed to prove that government licensed and bonded detective agencies are using devices for 'listening and recording' and for detecting 'telephone taps and room bugs.' "

Perrault was referring to display advertisements in the phone books.

Among the several ads is one which offers midget telephone tape recording and secret electronic equipment.

The Liberal leader said the probe was politically motivated because when a private bill on privacy was introduced in the legislature in 1965 no action was taken.

Again last year, when bugging devices were found to be in use in the Victoria police station, nothing was done, he said.

Perrault said the government showed no interest in invasion of privavy until last fall, when two unions became involved.

• (5:50 p.m.)

The irresistible conclusion is that this Social Credit government became vitally concerned when they saw that a political advantage might be derived.

The Liberal leader said the inquiry should be suspended.

But, if the government insists on continuing the probe, it should suspend the licences of private detectives who are advertising the use of bugging devices until the commission has ended its inquiry.

The detectives should also be called before the commission.

Strachan said "the commission has gone off the the rails" and is really engaged in trying the people involved in an inter-union dispute.

And the result is that the man who was hurt in the bugging incident is now behind bars.

"This is ridiculous and must be stopped. It does not deserve the confidence of his government which established it nor of anyone else.

Any action less than the termination of the commission can only be viewed a sa continued effort by the Social Credit government to use Her Majesty's prerogative in a royal commission for some strange purposes of an unknown nature."

Strachan said that if there are inter-union problems that require investigating, they should be referred immediately to the select standing committee on labour at the current session of the legislature.

I agree with the criticisms of the leader of the opposition in the provincial legislature, Mr. Strachan, and I agree with the criticisms voiced by Mr. Perrault dealing with this matter, although I am still of the opinion that the only way in which it can be dealt with effectively is through an amendment to our Criminal Code.

This whole question has been the cause of a great deal of concern among the labour movement in British Columbia, regardless of which side of the engagement they were on. They feel it has been to the detriment of the trade union movement, rather than to find out the facts related to any particular set of circumstances. I do trust that the government is giving this matter very serious consideration and that the legislation will be prepared and introduced at the first possible opportunity.

Mr. McIlraith: May I call it six o'clock, Mr. Speaker? There is a request to revert to motions for the purpose of permitting the Minister of National Revenue to table the final supplementary estimates, and for the purpose of permitting the Minister of Finance to make a short announcement.

Mr. Speaker: By unanimous consent the hour appointed for the consideration of private members business is now completed.

SUPPLEMENTARY ESTIMATES (G) 1966-67

A message from His Excellency the Administrator transmitting supplementary estimates (G) for the financial year ending March 31, 1967 was presented by Hon. E. J. Benson, (Minister of National Revenue and President of the Treasury Board), and read by Mr. Speaker to the house.

Mr. Benson moved that the message of His Excellency together with the estimates presented this day be referred to the committee of supply.

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, before you put the question may I ask the minister to tell us when he expects to table the main estimates for the forthcoming year?

Mr. Benson: On Monday next, Mr. Speaker.

Mr. Speaker: Is it the pleasure of the house to adopt the said motion?

Motion agreed to.

INCOME TAX ACT AMENDMENT

STATEMENT OF INTENTION TO REMOVE REFUNDABLE TAX ON BUSINESS PROFITS

Hon. Mitchell Sharp (Minister of Finance): Mr. Speaker, I wish to make a brief announcement of government policy to precede giving notice of the introduction of a bill.

Royal Assent

In December when introducing the supplementary budget I said that in a few months time we would be in a much better position to appraise the economic outlook for 1967. I went on to state as an example that we would not hesitate to bring before parliament at short notice a measure to end the refundable tax on business profits.

The information reaching us in recent weeks has led the government to believe that although general business prospects are favourable, last year's very rapid rate of increase in business capital expenditure is not likely to continue this year. Consequently we feel this refundable tax, the purpose of which was to apply a temporary restraint on business capital spending, is no longer appropriate.

I shall therefore be giving formal notice on Monday of the introduction of a bill to amend Part II D of the Income Tax Act to terminate the period over which this tax is payable at the end of this month, rather than at the end of October. I shall of course be making a detailed statement on the matter when that short and simple bill comes up for second reading, which I hope will be within a few days.

BUSINESS OF THE HOUSE

Mr. McIlraith: Mr. Speaker, on Monday we propose to submit to the house for its consideration the following items on today's order paper: item 63; then, 74, if the necessary evidence is printed and distributed as I expect it will be; then items 134, 136, 137 and 119.

• (6:00 p.m.)

THE ROYAL ASSENT

A message was delivered by Major C. R. Lamoureux, Gentleman Usher of the Black Rod, as follows:

Mr. Speaker, the Honourable the Deputy to His Excellency the Administrator, desires the immediate attendance of this honourable house in the chamber of the honourable the Senate.

Accordingly, Mr. Speaker with the house went up to the Senate chamber.

• (6:10 p.m.)

And being returned:

Mr. Speaker informed the house that the Deputy to His Excellency the Administrator had been pleased to give, in Her Majesty's name, the Royal Assent to the following bills:

An Act to amend the Small Businesses Loans Act.

An Act to incorporate The North West Life Assurance Company of Canada.

Royal Assent

An Act to provide for the payment of a retiring annuity to the Governor General of Canada.

An Act to provide for the establishment of a Canadian Film Development Corporation.

An Act to provide for the revision of certain salaries fixed by statute.

An Act to provide general incentives to industry for the expansion of scientific research and development in Canada and to effect certain related amendments to the Income Tax Act.

An Act to amend the Fund for Rural Economic Development Act.

An Act to amend the Excise Tax Act and the Old Age Security Act.

It being 17 minutes after six o'clock the house adjourned, without question put, pursuant to standing order.

HOUSE OF COMMONS

Monday, March 13, 1967

The house met at 2.30 p.m.

PRIVILEGE

MR. FANE—INABILITY TO OBTAIN REPORT ON INDIAN AFFAIRS

Mr. F. J. W. Fane (Vegreville): Mr. Speaker, I rise on a point of personal privilege. It concerns the statement made by the Minister of Veterans Affairs when tabling part I of the Hawthorn-Tremblay report "A Survey of the Contemporary Indians of Canada" on behalf of the Minister of Indian Affairs and Northern Development.

Shortly after that report was tabled in the house on Friday the hon. member for Châteauguay-Huntingdon-Laprairie (Mr. Watson) spoke on a point of privilege which Your Honour suggested was not a point of privilege, but he was allowed to continue speaking because of the agreement of all members who were in the house at that time. His point of privilege had to do with reports appearing in newspapers throughout Canada for a week before the royal commission report was tabled. Apparently the hon. member obtained a copy of the report immediately it was tabled, and read from it.

My question of privilege is that representing the constituency of Vegreville in Alberta, I represent the Saddle Lake Indian reserve which has some 2,000 residents. I have not had a copy of the report delivered to me yet. I have not seen a copy of it, and my question of privilege requires four answers.

First, I want to know how the newspapers got copies of this secret document which was not supposed to be available to anybody until it was tabled in the House of Commons. I also suggest that tabling one copy of a report in the house is not sufficient for the immediate requirements of 265 members of the house.

I want to know why copies of the report of this royal commission have not been delivered to members of the house. At the time I left my office this afternoon at 2.30 a copy of the report had neither been delivered to my office nor was there one in my mail box. I also want to know when hon. members will receive copies of the report so we can discuss the matters in it concerning the various Indian reserves.

• (2:40 p.m.)

Hon. Roger Teillet (Minister of Veterans Affairs): Mr. Speaker, my understanding is that members who were interested in obtaining copies of this report have received them and if these copies have not been delivered to all members I can only take the matter in hand and suggest to the department that this be done immediately. I apologize that this has not been done before now, but my understanding is that the report is available.

MAIN ESTIMATES, 1967-68

A message from His Excellency the Administrator transmitting estimates for the financial year ending March 31, 1968, was presented by Hon. E. J. Benson (Minister of National Revenue and President of the Treasury Board) and read by Mr. Speaker to the house.

[*Later:*]

Mr. Benson: Mr. Speaker, I should like to table copies in English and French of the main estimates for the fiscal year ending March 31, 1968 referred to in the message from His Excellency.

EXTERNAL AFFAIRS

TABLING OF EXTRADITION TREATY BETWEEN CANADA AND ISRAEL

Hon. Paul Martin (Secretary of State for External Affairs): Mr. Speaker, I wish to table copies in French and English of the extradition agreement between the government of Canada and the government of the state of Israel.

TRANSPORT

ST. LAWRENCE SEAWAY—STATEMENT RESPECTING TOLLS

Hon. J. W. Pickersgill (Minister of Transport): Mr. Speaker, I should like to make a brief statement concerning the question of tolls on the St. Lawrence seaway. On January 9 I tabled the report on St. Lawrence seaway tolls prepared by the St. Lawrence seaway authority. I had previously indicated that the proposals in that report and in the parallel report of the St. Lawrence Seaway Development Corporation of the United States

would be the subject of negotiation with the United States government, and that no action on seaway tolls would be taken prior to an announcement in this house.

Discussions with the United States have now taken place, and I am glad to announce that agreement has been reached on the toll arrangements which will apply to the Montreal-lake Ontario section of the seaway for the next four navigation seasons. Both seaway entities proposed that the level of tolls be increased by 10 per cent and that toll revenues be divided in the ratio 72 per cent for Canada and 28 per cent for the United States in place of the previous 71/29 ratio. The United States government has not been willing to accept the proposed increase in tolls at this time, but in recognition of the relatively greater operating deficiency incurred by Canada has agreed to an improved division of tolls revenue in the ratio 73/27 in Canada's favour for the next four seasons.

In all the circumstances and in the interests of preserving the joint arrangements we have entered into with the United States for the operation of the seaway, which are of considerable practical advantage to Canada and to all seaway users, the Canadian government has accepted the foregoing which means that the present level of tolls on the Montreal-St. Lawrence section of the seaway will continue through 1970.

It will be recalled that the report of the St. Lawrence seaway authority recommends the adoption by Canada of a per lockage fee for the Welland canal, to be phased in over a period of five years, and that the suspension of the present tolls on the Welland should remain in effect during this period. In the view of the government, such a fee is justified as a contribution toward the recovery of operation and maintenance costs on the Welland canal, which in 1966 amounted to $9 million. It has therefore decided to implement this proposal.

The lockage fees which will rise progressively from $20 per lock for the current navigation season to $100 in the 1971 navigation season will make a significant contribution, although they will not cover these costs which are at present borne entirely by the Canadian taxpayer. The impact of these fees on transportation costs will be negligible and will not affect in any significant way either traffic growth on the Welland or the cost to Canadians of the goods moved via the seaway.

Canada has done much in the past several years to improve our services to the shipping industry at the Welland canal. A considerable investment, over $50 million, has been made for new facilities. New techniques of traffic control have been introduced to assist ship movements in the canal. More modern systems and procedures have been adopted to further improve service. As a result the average time required for a ship to transit the canal has been significantly lowered with consequent savings of a very considerable magnitude to the users of the canal. Such savings should do much to offset the contribution which these users are now being asked to make to the annual costs of operating and maintaining the Welland.

In addition to the substantial expenditures involved in our present modernization program which I have referred to, there is a $100 million project now under way which will permit the canal to by-pass the city of Welland. The new alignment which will replace a narrow twisting section of the canal with a straight stretch of some 8½ miles will greatly improve navigation and speed up transit times through that section of the waterway. There is, moreover, the real possibility that very large expenditures may have to be embarked upon within the next decade to increase the capacity of the Welland so that the canal will be able to handle the growth in traffic anticipated over the next few years.

Finally, I should point out that the Welland canal, although entirely within Canada and built and operated by Canadians, is open to all ships of the world. To continue to ask the Canadian taxpayer to be the sole provider, in circumstances where more than 50 per cent of the cargo moving through the Welland is of non-Canadian origin, is difficult to justify. Those who profit most directly, the users, will now quite rightly be asked to bear a share of the financial burden involved in providing the services which they benefit from.

I might add that two important modifications have been made in the per lockage fee which are designed to mitigate the impact of the per lockage fee on certain classes of ships using the Welland canal facilities. These modifications will permit a 50 per cent reduction in the total lockage fee for ships making only a partial transit of the canal, and will also permit a 50 per cent reduction in the total fee for ships in ballast.

As a result of these changes in the original proposal the per lockage fee will be substantially less than it would otherwise have been for ships in these two categories.

[Mr. Pickersgill.]

Mr. Thomas M. Bell (Saint John-Albert): Mr. Speaker, we have been waiting for some time for information on this matter, and I may say at the outset that it comes none too soon for those who have to plan for the season.

This is a very detailed statement and we will have to give it great consideration, particularly because there is more sectionalization than before. I think this points up the necessity of referring this entire matter to the transportation committee for study, in light of the costs and revenues and the plans originally set up when the seaway was instituted. I cannot say that we are in agreement with the changes because I do not know enough about them at the moment. Let me say, however, as one from the maritimes, that we still feel the seaway should bear a greater share of its costs, as it was constituted to do.

• (2:50 p.m.)

CANADIAN WHEAT BOARD ACT

AMENDMENTS TO EXTEND EXISTING LEGISLATION

Hon. Robert Winters (Minister of Trade and Commerce) moved for leave to introduce Bill No. C-279, to amend the Canadian Wheat Board Act.

Some hon. Members: Explain.

Mr. Winters: Mr. Speaker, the main purpose of this bill is to deal with the provisions of the current act which will expire in midyear; therefore it is necessary to amend the act to perpetuate the provisions thereof.

Motion agreed to and bill read the first time.

MANPOWER AND IMMIGRATION

PROVISION FOR ESTABLISHMENT OF COUNCIL, ADVISORY BOARDS, COMMITTEES, ETC.

Hon. L. T. Pennell (for the Minister of Manpower and Immigration) moved that the house go into committee at the next sitting to consider the following resolution, which has been recommended to the house by His Excellency:

That it is expedient to introduce a measure to provide for the establishment of a Canada manpower and immigration council, of advisory boards and of regional and local manpower committees; to provide also for the appointment of the members thereof, their remuneration, allowances and other expenses; and to provide further that all expenditures for the purpose of the act shall be paid out of moneys appropriated by parliament therefor.

Motion agreed to.

23033—877½

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

DISPOSITION OF ALEXANDRA BRIDGE, OTTAWA

Question No. 2,002—**Mr. Isabelle:**

1. Have the studies undertaken on the Alexandra bridge, for the purpose of determining whether it should be demolished, been completed?

2. If so, what were the results of that survey?

Hon. G. J. McIlraith (Minister of Public Works): 1. Surveys to determine the condition of the bridge have been substantially completed.

2. The surveys indicate that the piers are sound, but that, because there has been corrosion of certain steel members of the bridge, the continuation of the load restrictions that have been in effect for some time is warranted. The consultants will soon provide a report listing the necessary repairs.

CHIEF OF MANAGEMENT SERVICES SECTION, INDIAN AFFAIRS

Question No. 2,431—**Mr. Orlikow:**

1. Who is the chief of the financial and management services section in the Department of Indian Affairs and Northern Development?

2. How long has he held the position?

3. What are his academic qualifications?

4. What is his previous experience in working with Indians either in the department or elsewhere?

5. What are his duties and responsibilities and to whom does he report?

Hon. Arthur Laing (Minister of Indian Affairs and Northern Development): 1. The position of the chief of the financial and management services was not established as such. The revised organization of the Indian affairs branch provided instead for a branch financial services adviser. The incumbent of this position is Mr. Jean-Marie Thibault.

2. Since January 1, 1966.

3. (a) Columbia University, N.Y., M.B.A.; (b) École des Hautes Études Commerciales, L. Sc. Com.; (c) Member of Institute of Chartered Accountants.

4. Since joining the Indian affairs branch more than a year ago, Mr. Thibault had numerous occasions to meet the Indian people, to discuss their problems and to study various projects designed by the branch to improve the living standards of the Indians in Canada.

5. His duties and responsibilities are: Under the branch director, to provide financial advisory services to senior branch officials; to be responsible for the overall direction of financial management within the branch; to review and analyse program budgets at the branch level including the co-ordination of submissions to treasury board; to be responsible for the accounting services of the branch. Mr. Thibault reports to the director of Indian Affairs.

FEDERAL CONTRACTS WITH TRANSOL, INC., QUEBEC

Question No. 2,465—**Mr. Ricard:**

1. Does Transol, Inc., 500 Grande Allée East, Quebec city, hold contracts from any federal department or from any crown corporation in addition to the mail box collection contract in Quebec city and suburbs and the transport contracts for the Canadian National Railways?

2. If so, what are the details of these contracts, the names of bidders, the amounts of the tenders for each, and the length of said contracts?

Hon. Judy V. LaMarsh (Secretary of State): I am informed by all the departments and crown corporations as follows: 1. No.

2. Not applicable.

FEDERAL CONTRACTS WITH SONAREX LTD., QUEBEC

Question No. 2,466—**Mr. Ricard:**

1. Does Sonarex Ltd., 500 Grande Allée East, Quebec city, hold any contracts from any federal department or any crown corporation?

2. If so, what are the details of these contracts, the names of bidders, the amounts of the tenders for each, and the length of said contracts?

Hon. Judy V. LaMarsh (Secretary of State): I am informed by the Department of Public Works as follows: 1. Yes.

2. Sonarex Ltd. is carrying out an appraisal of six houses in Quebec city which may be required for government purposes. For this type of work there are no tender calls, but a submission of a fee estimate, which in this case is $808.85. There is no set time limit but a stipulation is that the work must be done promptly.

C.N.R. CONTRACTS WITH TRANSOL LTD., QUEBEC

Question No. 2,467—**Mr. Ricard:**

1. Does Transol Ltd., 500 Grande Allée East, Quebec city, hold any transportation contracts on behalf of the Canadian National Railways?

2. If so, what contracts does it hold?

[Mr. Laing.]

3. Were tenders called in each?

4. If so, what are the names of the tenderers and the amount of each tender?

5. How long have these contracts been in existence and for how many years will they remain in force?

Mr. J. A. Byrne (Parliamentary Secretary to Minister of Transport): The management of Canadian National Railways advises as follows: 1. Yes.

2, 3 and 5. A list of eligible carriers was obtained from the Quebec transportation board and those carriers were invited to submit bids for the over the highway cartage services between Lévis, Quebec and L'Isletville and Rivière-du-Loup and L'Isletville, serving intermediate points. Transol Inc. submitted the lowest tender and contracts dated October 9, 1963, were entered into with that firm for an unspecified period of time, subject to termination by either party on 30 days' written notice.

In addition, the railway on occasion requires extra vehicles to handle the delivery of carload freight locally in Quebec city and on such occasions it utilizes the services of Transol Inc. as well as those of other cartage companies, depending upon the availability of trucks.

4. It is not the practice of the company to disclose names of firms or persons submitting tenders nor to disclose information respecting proposals received.

EDUCATIONAL SUPERVISION CHIEF, INDIAN AFFAIRS

Question No. 2,475—**Mr. Orlikow:**

1. Who is the chief of the educational supervision division of the education directorate of the Department of Indian Affairs and Northern Development?

2. How long has he held the position?

3. What are his academic qualifications?

4. What is his previous experience in working with Indians either in the department or elsewhere?

5. What are his duties and responsibilities and to whom does he report?

Hon. Arthur Laing (Minister of Indian Affairs and Northern Development): 1. Mr. Leslie George Postille Waller.

2. Since April 1, 1956.

3. Academic qualifications, (a) Alberta University, B.A.; (b) Alberta University, M.A.; (c) Alberta University, Professional teacher's certificate; (d) Alberta University, B. Ed.

4. Mr. Waller held the position of regional inspector of Indian schools in the Alberta region from 1951 to 1956; during that period

he had close contact with Indian children, their parents and band councils.

5. His duties and responsibilities are: Under direction responsible for the supervision of a field staff of school administrators and specialists; direction of the joint school capital program; analyses of data in the fields of school administration and curriculum for the purpose of policy making; supervision of the teacher's registry and statistical sections; serves as consultant in federal-provincial negotiations on Indian education. Mr. Waller reports to the director of education.

UNEMPLOYMENT AND INCOME FIGURES, QUEBEC CONSTITUENCIES

Question No. 2,483—**Mr. LeBlanc (Rimouski):**

1. What were the unemployment figures for the past five years in the following constituencies: Rimouski, Matapédia-Matane, Rivière-du-Loup-Témiscouata?

2. What is the income growth index over the past five years for these constituencies?

3. What is the income growth index over the past five years for these constituencies, as compared to the national average?

Hon. Judy V. LaMarsh (Secretary of State): I am informed by the Departments of Manpower and Immigration and National Revenue as follows: 1. Unemployment figures are not available for electoral districts.

Annual averages of unplaced applicants on file in the Canada manpower centres in the Gaspe are shown below for each of the past five years.

	1962	1963	1964	1965	1966
Causapscal	1,884	1,862	1,728	1,489	1,327
Matane	2,352	2,274	1,724	1,724	1,701
Rimouski	3,570	3,226	2,707	2,510	2,504
Rivière-du-Loup	4,031	4,016	3,534	3,362	3,273

The area served by the Causapscal Canada manpower centre includes most of the county of Matapedia, as well as four townships in the county of Bonaventure. The Matane centre serves most of the county of Matane and part of Gaspe North. The Rimouski centre serves all of the county of Rimouski and small parts of the counties of Matane and Matapedia. The area served by the Rivière-du-Loup Canada manpower centre consists of the county of Témiscouata (this census county includes the provincial county of Rivière-du-Loup) and the county of Kamouraska.

2 and 3. Statistics relating to incomes of individuals as reported on tax returns are not maintained on the basis of electoral constituencies.

The taxation division of the Department of National Revenue publishes annually a book known as "Taxation Statistics" which provides aggregates of income figures compiled from tax returns for counties or census division as well as for Canada as a whole.

REPAYMENT OF NATIONAL DEBT

Question No. 2,485—**Mr. Godin:**

How many years will it take the government of Canada to reimburse the debts it has been accumulating since 1867?

Hon. Mitchell Sharp (Minister of Finance): The government of Canada's outstanding debt represents the cumulative total of all government cash deficits less surpluses since 1867. The deficits have been financed through the sale of cash securities while surpluses have been used to reduce the total of securities outstanding. Changes in debt for any period of time, assuming a constant cash balance, represent the difference between government cash receipts and expenditures of all kinds and are, therefore, the consequence of the government's fiscal operations. Since these fiscal operations have a very important effect upon Canada's economy, fiscal policy must take into account prevailing economic circumstances and the probable consequences of any action taken. It is not possible to predict when economic circumstances would make it appropriate for fiscal policy to aim at achieving cash surpluses. It is, therefore, not possible to forecast whether or to what extent the government would consider it appropriate to reduce or eliminate all its outstanding debt.

CHANGEOVER TO CANADA MANPOWER SERVICES

Question No. 2,489—**Mr. Irvine:**

1. What was the total cost of changing the national employment services over to Canada manpower services?

2. Of this amount, how much was expended in (a) alterations in buildings, including signs (b) letterhead stationery etc. (c) advertising (d) other?

Hon. Judy V. LaMarsh (Secretary of State): I am informed by the Departments of Manpower and Immigration and Public Works as follows: 1. $583,371.87.

2. (a) $508,867.84; (b) $43,532.90; (c) $23,319.93; (d) $7,651.20.

Questions

*WINTER WORKS PROJECTS, LONDON, ONT.

Question No. 2,490—**Mr. Irvine:**

What is the total amount of projects approved under the winter works program during the current season in the city of London, Ontario?

Mr. J. C. Munro (Parliamentary Secretary to Minister of Manpower and Immigration): The answer to the question is as follows. During the current municipal winter works incentive program, 21 projects have been approved for the city of London, Ontario. The total cost of these projects is estimated to be $4,367,443 with the estimated federal government incentive payment amounting to $509,375.

STRENGTH OF ARMY UNITS

Question No. 2,499—**Mr. Harkness:**

1. As at December 31, 1966, what was the strength of (a) each of the armoured regiments (b) each of the artillery regiments (c) each of the infantry battalions (d) each of the engineer squadrons (e) each of the signal companies or squadrons?

2. In each of the above cases, what is the war establishment of these units?

Hon. Paul Hellyer (Minister of National Defence): 1 and 2. It has not been considered to be in the public interest to divulge war establishments of military units, nor is it departmental policy to release individual unit strengths. However, as of December 31, 1966, there were (a) four armoured corps regiments with a total strength of 1,979; (b) four artillery regiments with a total strength of 2,266; (c) 13 infantry battalions with a total strength of 8,709; (d) four engineer squadrons with a total strength of 962; and (e) a signals regiment and brigade signal squadrons with a total strength of 1,176.

REPRINTS OF DEFENCE MINISTER'S SPEECH

Question No. 2,501—**Mr. Harkness:**

1. How many reprints on smooth paper were produced of the speech made by the Minister of National Defence on moving second reading of Bill C-243?

2. What was the distribution of the copies of this speech?

3. What was the cost and to what vote was it charged?

Hon. Paul Hellyer (Minister of National Defence): 1. 45,240.

2. About 29,500 copies were sent to units of the regular and reserve force for distribution to personnel. 8,070 copies were distributed to news media, including service newspapers, military writers, other government departments, foreign military establishments, veterans associations and interested individuals.

3. $5,397.92. Fe 609030 Div 71 est 1339 Vote 200 Prim 09 Obj 095 Sub Alct 30.

C.N.R. STATION, MONCTON, N.B.

Question No. 2,513—**Mr. Coates:**

1. Is it the intention of the Canadian National Railways to enlarge and improve the facilities available to passengers using the C.N.R. station at Moncton, N.B.?

2. On what date was the station at Moncton opened to the public, and have many complaints been received by the management of the Canadian National Railways regarding the facilities in existence at the present time?

Mr. J. A. Byrne (Parliamentary Secretary to Minister of Transport): The management of Canadian National Railways advises as follows: 1. Yes, but plans for an extension to the Moncton station are being deferred until a proposal to relocate the main railway line through the city has been fully investigated.

2. November 3, 1963. Representations to enlarge have been received.

*ANDRÉ SIMARD—EMPLOYMENT BY FEDERAL GOVERNMENT

Question No. 2,526—**Mr. Howard:**

1. Since January 1, 1966, have any representations been made to the Minister of Indian Affairs and Northern Development regarding employment for one André Simard and, if so, what is the name, occupation (if known), and address of each person who made such representations, the employment asked for, and the details of any reply?

2. Is the said André Simard currently employed by the government of Canada and, if so, in what capacity, for what term, and at what salary?

Hon. Judy V. LaMarsh (Secretary of State): I am informed by the Minister of Indian Affairs and Northern Development and the Civil Service Commission as follows: 1. A representation has been received, but the details are of a privileged nature. The reply advised that the candidate was not successful in the particular competition.

2. No.

REPRINTS OF SPEECH BY DEFENCE MINISTER

Question No. 2,565—**Mr. McCleave:**

1. Who ordered the printing and publication of "Address on The Canadian Forces Reorganization Act, the Hon. Paul Hellyer, Minister of National Defence. On moving second reading of Bill C-243 in the House of Commons December 7, 1966"?

2. Who printed the said publication?
3. Who edited the speech before publication?
4. Why were interjections of various hon. members not included in said publication?
5. How many copies were printed, and where were they distributed?
6. What is the estimated cost of printing and distribution?
7. What was the purpose of printing such publication?
8. Did those responsible consider the alternative of distributing copies of *Hansard* of that day?

Hon. Paul Hellyer (Minister of National Defence): 1. The Minister of National Defence.

2. The Queen's Printer.

3 and 4. The publication contains the speech prepared for delivery by the minister with the addition of a number of illustrations. There are minor variations from the speech as recorded in *Hansard*. No editing of the speech was done before publication.

5. 45,240. About 29,500 copies were sent to units of the regular and reserve force for distribution to personnel. 8,070 copies were distributed to news media, including service newspapers, military writers, other government departments, foreign military establishments, veterans associations and interested individuals.

6. Printing, $5,397.92; distribution was made through service facilities.

7. To provide members of the armed forces and others interested in Bill C-243 with a convenient reference document of the background and explanatory material given by the minister in support of the bill.

8. Yes.

RECRUITING DRIVE, MANPOWER AND IMMIGRATION DEPARTMENT

Question No. 2,571—**Mr. Hales:**

Is there a recruiting drive to hire 500 university graduates for the Department of Manpower and Immigration and, if so (a) how many people has the department hired to interview these graduates (b) how many students have been interviewed for these positions (c) how many graduate students has the department hired to date (d) did these students write civil service examinations and, if so, by whom were these examinations (i) set, and (ii) conducted (e) who made the final selection and under what circumstances—the department or the Civil Service Commission (f) for what positions in the department were these graduates hired?

Hon. Judy V. LaMarsh (Secretary of State): I am informed by the Civil Service Commission as follows: Yes.

(a) None; (b) 1,589 as of February 6, 1967; (c) 10 as of February 6, 1967; (d) Under delegated authority from the Civil Service Commission, pursuant to section 39 of the Civil Service Act, departmental officers conducted the interviews in (b) above to ascertain whether or not candidates possessed the qualifications prescribed by the Civil Service Commission under section 33 of the act. No written examination was used. (e) The department, under delegated authority from the Civil Service Commission under section 39 of the Civil Service Act. (f) As manpower counsellor trainees at the various Canada manpower centres across Canada.

CANADIAN INVESTMENT BY FIRST NATIONAL CITY BANK

Question No. 2,574—**Mr. Reid:**

Does the First National City Bank of New York have any investments in Canada in the financial field at present other than the Mercantile Bank and, if so (a) what are the names of the companies it has invested in and what is the extent of their investment in these companies (b) what is the nature and extent of the business of these companies in which the First National City Bank of New York has an interest (c) do these institutions raise money in the Canadian market and, if so, how much have they raised during the last seven years, by year, and to what use are these funds put?

Hon. Mitchell Sharp (Minister of Finance): (a), (b) and (c): The only known investment of the First National City Bank of New York in Canada, other than the Mercantile Bank, is the International Trust Company, formerly the Mercantile Trust Company. This is a Quebec incorporation and reports of the inspector of trust companies for that province show that it had the following amounts of assets and liabilities in company funds and guaranteed funds:

As at Dec. 31	Company funds	Guaranteed funds	Total
1960	$ 181,967	$ —	$ 181,967
1961	605,152	105,984	711,136
1962	625,335	1,827,656	2,452,991
1963	760,227	485,824	1,246,051
1964	1,270,174	7,902,988	9,173,162
1965	2,329,900	21,004,770	23,334,670

It is believed that nearly all the amount in guaranteed funds was borrowed from the public. The distribution of assets in guaranteed funds was as follows:

As at Dec. 31	Cash in banks	Stocks	Bonds and Debentures	Loans against securities	Mortgages
1960	$ —	$ —	$ —	$ —	$ —
1961	104,375	—	—	—	—
1962	825,035	—	298,020	—	602,477
1963	263,022	—	—	—	222,803
1964	74,987	—	5,074,030	750,966	2,003,005
1965	3,945,652	290,438	9,098,195	509,449	7,161,037

PRESERVATION OF TOTEM POLES, UNIVERSITY OF BRITISH COLUMBIA

Question No. 2,576—**Mr. Prittie:**

1. Has the Department of Indian Affairs and Northern Development been informed that a number of irreplaceable totem poles at the University of British Columbia are rotting because of lack of a museum in which to preserve them?

2. Has the University of British Columbia requested the department for financial assistance to construct a museum for the preservation of these totem poles?

3. If the answer to part 2 is yes, what reply did the department make to the University of British Columbia?

Hon. Arthur Laing (Minister of Indian Affairs and Northern Development): 1. The department has been informed that a number of totem poles are at the University of British Columbia. However, I am informed that these poles are not rotting as they have been treated with a wood preservative and are adequately protected from the elements by suitable coverings.

2. No.

3. Not applicable.

*VISIT OF U.S. NUCLEAR SUBMARINE TO ST. JOHN'S, NFLD.

Question No. 2,583—**Mr. Crouse:**

1. Did a United States nuclear submarine visit St. John's, Newfoundland, on February 6, 1967?

2. If so, was permission given by Canadian authorities for this landing?

Mr. D. S. Macdonald (Parliamentary Secretary to Secretary of State for External Affairs): 1. Yes.

2. Yes.

EFFECT OF CHAIN STORE BUYING PRACTICES

Question No. 2,598—**Mr. McCutcheon:**

1. Has the Department of Agriculture ever studied the impact of chain store buying practices on the small food processors and producers groups?

[Mr. Sharp.]

2. If so, what were the findings?

3. If not, would the department consider such an investigation?

Hon. J. J. Greene (Minister of Agriculture):

1. No.

2. N/A.

3. Yes.

EFFECT OF CHAIN STORE BUYING PRACTICES

Question No. 2,602—**Mr. McCutcheon:**

1. Has the Department of Industry ever studied the impact of chain store buying practises on the small food processors and producers groups?

2. If so, what were the findings?

3. If not, would the department consider such an investigation?

Hon. C. M. Drury (Minister of Industry):

1. No.

2. Does not apply.

3. Since this matter has already been studied by the royal commission on price spreads and the combines investigation branch, the Department of Industry does not believe that an additional study is warranted at this time.

DISPOSITION OF PART OF FORT OSBORNE BARRACKS, WINNIPEG

Question No. 2,608—**Mr. Sherman:**

What are the present plans of the Department of National Defence with respect to the future of the old section of Fort Osborne barracks in Winnipeg, and (a) does the department intend to sell these facilities (b) if so, what date is envisioned for the sale (c) how will the sales procedure be carried out?

Hon. Léo Cadieux (Associate Minister of National Defence): The old section of Fort Osborne barracks in Winnipeg will be used by the Pan American Games Association during the summer of 1967. No decision has been taken on the future use of this property.

INFANT MORTALITY RATES

Question No. 2,616—**Mr. Dinsdale:**

1. What was the infant mortality rate in Canada for each of the past ten years among (a) Indians (b) Eskimos (c) other Canadians?

2. What are the reasons for any differences which might exist between the three groups?

Hon. A. J. MacEachen (Minister of National Health and Welfare):

1. Infant mortality per 1000 live births

Year	(a) Indian	(b) Eskimo	(c) All Canadians
1956	96	238	32
1957	85	228	31
1958	86	235	30
1959	75	206	28
1960	79	210	27
1961	76	211	27
1962	75	194	28
1963	70	157	26
1964	62	94	25
1965	Not available	95	24

Data on Indian infant mortality for 1965 are not yet complete but present indications are that the downward trend has continued in 1965 and in 1966, preliminary figures suggesting the rates may now be around 60. Although still two and a half times the national infant mortality rate, Indian infant mortality has been reduced in the past decade by 36 per cent to less than two-thirds of what it was in 1956.

Eskimo infant mortality, originally fairly consistently some seven to eight times the comparable national rate has, since 1961, been reduced by 61 per cent to 39 per cent of what it was in 1956 and is now less than four times the current national rate.

In the same period the national infant mortality rate has declined by 23 per cent to 77 per cent of what it was in 1956. The decline in both Indian and Eskimo infant mortality has, therefore, been more rapid, in the case of the Eskimos almost three times as rapid.

2. The Indian infant mortality rate is high compared to the rate for all Canadians largely due to the fact that some 25 per cent to 30 per cent of pregnant Indian women still do not take advantage of available medical services and a further 30 per cent only report late in pregnancy and reap relatively little benefit. The infant mortality rate amongst children of Indian mothers who do make adequate use of the services available to them is around 30 per 1000 live births or very little in excess of the national rate. Some 12 per cent of Indian mothers, usually older women, still seem to prefer to be delivered in their own homes by untrained native midwives and the infant mortality amongst the children of these mothers is around 17 per cent as against 3 per cent among women making proper use of available medical and nursing care.

The reasons for the continuing higher infant mortality amongst Eskimos, the total number of actual deaths involved in 1965 being 50 deaths of children under one year of age out of 524 born that year, are mainly associated with the special hardships inherent in their traditional way of life to which Eskimos expose their children. The principal causes of Eskimo infant mortality are outstandingly pneumonia and accidents. The severity of the climate, the types of dwellings they use, ignorance of safe domestic hygiene and good feeding practices, often inability to apply what knowledge they have when travelling or camping for lack of facilities, all play a part. Remoteness and inaccessibility frequently feature as contributory factors, resulting in delay in getting medical aid. This affects some Indian groups also but to a lesser extent than Eskimos where climatic conditions more often complicate communication and transport difficulties. Some Indians and Eskimos, also, still show some reluctance in seeking medical aid promptly, tending to delay until the situation is critical before calling for help.

WAR ON POVERTY EXPENDITURES

Question No. 2,617—**Mr. Peters:**

1. What is the total amount of federal funds that have been spent, as of December 31, 1966, on all the programs comprising the government's "war on poverty" since its inception?

2. How do these expenditures break down by major program categories?

Mr. John R. Matheson (Parliamentary Secretary to Prime Minister): 1. and 2. While a large number of continuing programs form a part of the federal anti-poverty and opportunity program, there were seven major programs between April 1965 and December 31, 1966: (a) Expanded ARDA programs, $33,006,577. (b) Area development agency: grants for industry, $1,000,000. (c) Manpower programs: (i) Manpower mobility program, $1,000,000; (ii) Technical and vocational training agreement, $275,575,386; (iii) Older workers program vocational rehabilitation, $1,713,000; Total manpower, $278,288,386. (d) Canada Assistance Plan: Claims not yet

received from provinces: projected per year, $85,000,000. (e) Department of Fisheries: Centralization program for families in outlying areas, $480,000. (f) Company of Young Canadians: July 1966 to December 1966, approximately, $600,000. (g) Health resources fund: July 1966 to December 1966, no firm commitments: projected in first year, $20,000,000.

ESTABLISHMENT OF ZOO IN CAPITAL REGION

Question No. 2,625—**Mr. Bell (Carleton):**

1. Have any representations been made to the government and/or the national capital commission for financial or other assistance in the establishment of a zoo in the national capital region?

2. If so, what has been the nature of such representations?

3. What consideration has been or is being given to them?

4. When may a decision be anticipated?

5. Has the national capital commission suggested any site for such zoo?

6. If so, where is such site located?

Hon. G. J. McIlraith (Minister of Public Works): 1. Yes.

2. The Ottawa Board of Trade proposed the establishment of a zoo in the Ottawa area. Envisioned was a zoological garden located on a 200 acre site, partially on city of Ottawa property and partially in the green belt, in the vicinity of Green creek, north of the Queensway.

3. The centennial administrator, to whom the proposal was referred by the then minister of transport, reviewed it in consultation with the N.C.C. He concluded that this was not an appropriate centennial project. However, the chairman of the N.C.C. considered that a joint committee might be an avenue for the consideration of the proposal for the consideration of the proposal for the establishment of a zoo.

4. The idea is not under active examination at this time.

5 and 6. It was thought by the N.C.C. that suitable land might be available in either the green belt or the Gatineau park.

COMPLETION OF ROADS TO RESOURCES PROGRAM

Question No. 2,626—**Mr. Korchinski:**

1. How many miles of roads have not been completed in each province under the roads to resources program?

2. What is the estimated cost which would be involved in completing these programs in each province?

3. What plans does the federal government have to complete these roads?

Hon. Jean-Luc Pepin (Minister of Energy, Mines and Resources): 1.

Total by provinces*

Province	Estimated total mileage of project	Mileage approved	Mileage completed	Mileage incomplete	Federal share contributed to the program	Unexpended Balance of federal share
Alberta	407.65	326.48	326.48	81.17	$ 7,420,984.04	$ 79,015.94
British Columbia	323.00	213.00	188.00	135.00	7,339,011.07	160,988.93
Manitoba	719.50	339.60	338.80	380.70	7,500,000.00	Nil
Quebec	181.00	181.00	179.00	2.00	7,500,000.00	Nil
New Brunswick	439.40	263.50	263.40	176.00	6,749,999.39	750,000.61
Newfoundland	270.78	270.78	270.78	Nil	5,653,576.94	1,846.423.06
Nova Scotia	489.50	357.00	350.10	139.40	7,488,792.42	11,207.58
Ontario	578.00	364.00	332.00	246.00	7,254,394.80	245,605.20
P.E.I.	450.00	429.90	411.40	39.20	6,992,951.80	507,048.20
Saskatchewan	941.60	469.70	455.60	486.00	6,792,704.75	507,295.25
	4,800.43	3,214.96	3,115.26	1,685.47	70,692,415.21	4,307,584.79

* March 1, 1967.

2. No current estimates have been made of cost of completing road mileages in excess of funds available under the terms of the agreements with each province.

3. The government fully intends to complete its contractual obligations under the roads to resources program.

[Mr. Matheson.]

LÉVIS, QUE. POSTMASTER

Question No. 2,628—**Mr. Caouette:**

1. How long is it since Mr. L. P. Sirois retired as postmaster of Lévis?
2. What was the result of the competition organized to find a replacement for him?
3. Will a new competition be held?
4. Who has taken over the position in the meantime and how many months has he been in charge?

[*Translation*]

Hon. Jean-Pierre Côté (Postmaster General): 1. June 30, 1966.

2. Mr. J. H. Gélinas, Postmaster, Cap-de-la-Madeleine was selected as a replacement.

3. No.

4. Mr. J. D. A. Fradette has been Acting Postmaster since June 30, 1966.

[*English*]

RADAR STATION, SAINT-SYLVESTRE, QUE.

Question No. 2,640—**Mr. Caouette:**

Regarding the radar station in Saint-Sylvestre (Lotbinière), which is no longer in operation (a) what was the cost of construction (b) when was it finished (c) for how many years was it in operation (d) when did it cease operating, and for what reason (e) by whom and to whom was it sold (f) for what amount?

Hon. Judy V. LaMarsh (Secretary of State): I am informed by the Departments of National Defence and Defence Production as follows: (a) $13,200,000 (Canada's share $1,740,000); (b) 1954; (c) Ten years; (d) 1964, as it became redundant due to increased coverage of other radar sites; (e) By Crown Assets Disposal Corporation to Domaine St. Sylvestre Inc., Victoriaville, Que.; (f) $120,030.

IMPORTS OF SEMI-FINISHED TEXTILES

Question No. 2,643—**Mr. Allard:**

1. Did Canadian textile companies import semi-finished products such as yellow cotton, in 1966 and in 1967 and, if so (a) are these unfinished textile products spun and woven abroad and subsequently bleached and printed in Canadian textile industries and then sold as Canadian products (b) what countries send these semi-finished textile products, and which Canadian textile companies promote such imports?

2. Are these semi-finished textile products part of voluntary self-imposed quotas accepted by Japan, Hong Kong and other countries which have accepted voluntary quotas with regard to Canada?

3. Do these semi-finished textile products enter Canada as raw materials and as such, are they subject to low Canadian duty rates?

4. What was the quantity and the overall value of semi-finished textile imports as compared with all textile imports into Canada, for the years 1965 and 1966?

Hon. Mitchell Sharp (Minister of Finance): 1. (a) (b) A variety of types of textile products at varying stages of manufacture are imported by Canadian textile companies for further processing in Canada. These include greige woven cotton fabrics which are bleached, printed or otherwise finished in Canada. Many countries export partly-processed textile products to Canada for further manufacture, but because of the statistical problem, (explained below in answer to question 4) it is not possible to identify the particular countries or the particular Canadian companies involved.

2. The limits applied by a number of countries on their exports of certain textile products to Canada generally do not exempt partly processed products which are intended for further manufacture in Canada.

3. The rates of duty for textile products generally increase with the degree of processing, although there are a few exceptions. Thus partly processed products generally bear lower rates of duty than fully processed goods.

4. The value of all textile imports in 1965 was $581,880,000. The 1966 figure is not yet available. It is not possible to divide this figure between semi-finished and fully finished products. This is because no distinction is made in DBS import statistics between greige fabrics imported for use as such and those imported for further processing. For some types of textile products both partly finished and fully finished products are grouped together in the statistics.

ARDA REPORT ON EASTERN NOVA SCOTIA

Question No. 2,644—**Mr. MacEwan:**

Has the report of the joint task force of ARDA on the nine eastern counties of Nova Scotia been completed, and (a) if so, has it been submitted to the government (b) if not, when is it expected that this report will be completed?

Hon. Maurice Sauvé (Minister of Forestry and Rural Development): (a) The report by the joint task force of ARDA on the nine eastern counties of Nova Scotia has not been completed. (b) It has not been submitted to the government. (c) It is expected that this report will be completed and submitted to the government by March 15.

*DISMISSALS OF CIVIL SERVANTS FOR CAUSE

Question No. 2,647—**Mr. Winkler:**

How many civil servants have been dismissed for cause in the last year for which statistics are readily available?

Questions

Hon. Judy V. LaMarsh (Secretary of State): I have been given the following information by the Civil Service Commission, which covers all employees under the Civil Service Act: 159 employees for the year 1966, and 453 employees were rejected during probation.

FEED GRAIN SUBSIDY, NEW BRUNSWICK

Question No. 2,658—**Mr. Fairweather:**

What amount of money did the government of Canada pay in the way of subsidy or any other assistance for feed grain coming into the province of New Brunswick for each of the years 1965 and 1966?

Hon. Maurice Sauvé (Minister of Forestry and Rural Development): Transportation assistance on feed grains shipped to the province of New Brunswick in the fiscal year ending March 31, 1965 amounted to $1,118,529.31, and in the fiscal year ending March 31, 1966 amounted to $1,156,724.12. During these two years the government of Canada also paid winter storage charges on grains. Due to the loss of identity of the grain on conversion to animal feeds it is not possible to give an accurate provincial expenditure. It is estimated feed grains and feeds shipped to New Brunswick were assisted under this program by $31,746 in the fiscal year ending March 31, 1965 and $33,503 in the fiscal year ending March 31, 1966.

PRODUCTION OF FILM ON SEAL HUNT

Question No. 2,665—**Mr. MacRae:**

Did the government co-operate in the making of the films which were taken by the officials of the society for the prevention of cruelty to animals during the 1966 seal hunt in the gulf of St. Lawrence and, if so, did the government approve of the said films as being an authentic record of sealing operations in 1966?

Hon. H.-J. Robichaud (Minister of Fisheries): The Department of Fisheries provided aerial transportation for a number of officials representing humane and conservation organizations to visit the area of the seal hunt in the gulf of St. Lawrence in 1966. Some, if not all, of these officials on their own initiative took still and/or moving films of scenes at the hunt, using their own equipment. None of this photographic material was submitted to the department for verification of authenticity.

MANPOWER RETRAINING PROGRAM, ST. JEROME, QUE.

Question No. 2,667—**Mr. Godin:**

1. Under the manpower retraining program, to which province and to what kind of employment are the unemployed workers of the shoe manufacturing industry, particularly those from St. Jérôme, Quebec, being sent?

2. What was the number of unemployed persons registered in this community as at December 31, 1966?

3. Of this number, how many have since found employment?

[*Translation*]

Mr. J. C. Munro (Parliamentary Secretary to Minister of Manpower and Immigration): 1. Unemployed workers from the shoe manufacturing industry at St. Jérôme have been referred to employment at General Motors, Ste. Thérèse, and at Canadair, Montreal, in the main. To date, no such workers have been referred outside the province of Quebec.

2. 1,489 men and 664 women.

3. The Canada Manpower Centre has placed 347 persons in the period between December 31, 1966, and February 24, 1967. The total number who have found employment on their own initiative is not known, but 89 of those who lost their employment in the shoe manufacturing industry are reported to be in permanent employment.

[*English*]

LIVESTOCK FEED BOARD

Question No. 2,668—**Mr. Godin:**

When will the livestock feed board (Bill C-218) come into operation, and will the farmers in the regions concerned benefit through a decrease in the price of grain?

Hon. Maurice Sauvé (Minister of Forestry and Rural Development): As was stated in the house on February 9th it is expected that appointments to the Canadian livestock feed board will be made before March 15. It is not expected there will be any immediate effect on the price of feed grains when this board is appointed. This board will, within the powers provided by the Livestock Feed Assistance Act, take steps to ensure the objects are attained within a reasonable period of time.

ESTATE TAX, SASKATCHEWAN

Question No. 2,670—**Mr. Pascoe:**

1. What was the total amount paid in Saskatchewan in estate tax for the year 1966, and how was this amount shared by the federal and provincial governments?

2. Has the government entered into an agreement with the government of Saskatchewan to eliminate the collecting of this tax in that province and, if so, when will the necessary legislation be introduced in this house?

Hon. E. J. Benson (Minister of National Revenue and President of the Treasury Board): 1. The amount shared by the federal and provincial governments is the amount of estate tax assessed, allocated on the basis of property which was situated in the province of Saskatchewan. For the fiscal year 1965-66 this amount was $3,206,000 of which 75 per cent would go to the provincial government and 25 per cent to the federal government.

2. No.

NATIONAL REVENUE OFFICE, CHATHAM, ONT.

Question No. 2,671—**Mr. Danforth:**

Has a decision been reached by the Department of National Revenue to open up a new office in Chatham, Ontario, to deal with taxation and if so (a) what is the number of employees contemplated for the staff (b) what procedures will be followed to obtain the necessary office space (c) will space be available in present offices leased or rented by the government or will additional office facilities be procured?

Hon. E. J. Benson (Minister of National Revenue and President of the Treasury Board): The Department of National Revenue, taxation division, has no plans to open up a new office in Chatham, Ontario.

"CAPITAL COST ALLOWANCE" RESPECTING OLD AGE SUPPLEMENT

Question No. 2,672—**Mr. Coates:**

1. What is the meaning of "Capital Cost Allowance" as set-out as an example of a deduction that can be made against rents received insofar as the guaranteed income supplement is concerned and which is more particularly described as item 7, on page 10, of the guaranteed income supplement folder distributed to recipients of old age security?

2. Can an applicant for the old age supplement use a deduction from rents received, property tax, insurance and capital cost allowance?

Hon. A. J. MacEachen (Minister of National Health and Welfare): 1. Capital cost allowance referred to in section 7 on page 10 of the guaranteed income supplement booklet is a term found in the Income Tax Act and regulations. It is an amount which may be deducted in computing income in lieu of depreciation. Section 11(1)(a) is the authorizing section of the Income Tax Act and parts XI and XVII of the regulations set out the amounts which may be deducted.

2. Yes.

*APPLICATIONS FOR OLD AGE SECURITY SUPPLEMENT

Question No. 2,679—**Mr. Diefenbaker:**

1. How many persons, by province, as of this date, have been notified that their applications for the supplementary payment under the recent amendments to the Old Age Security Act, of $30 per month, have been approved?

2. How many applications for the supplement have been received, by province, as of this date?

3. In how many cases have the applicants been informed that their applications have been turned down as being unqualified because they have means or income which denies them the said payment?

Mrs. Margaret Rideout (Parliamentary Secretary to Minister of National Health and Welfare): 1. None. It is not planned to send any notification prior to the issuance of the cheques. Those who applied for $30 and whose applications have been approved in time for the payment to be included in the March old age security cheque will receive a cheque for $165 at the end of March. Those eligible for the $30 supplement who do not receive an adjustment in the March cheque will receive a payment of $195 in the April cheque issue.

2. At the close of business on February 27, 1967 the following applications had been received:

Newfoundland	17,619
Prince Edward Island	6,407
Nova Scotia	32,305
New Brunswick	21,903
Quebec	142,474
Ontario	158,100
Manitoba	40,352
Saskatchewan	30,277
Alberta (including Yukon the Northwest Territories)	38,875
British Columbia	68,695
Total	557,007

3. No information is available at this time. However, as the work of checking, making determination of eligibility and notifying applicants proceeds in the weeks ahead data will be available.

*REGULOTIONS UNDER CANADA ASSISTANCE PLAN

Question No. 2,687—**Mr. Smith:**

1. Have any regulations under the provisions of section 9 of the Canada Assistance Plan been made?

2. If so, what are those regulations?

3. If not, when is it expected that regulations will be made and published?

4. What provinces have entered into agreements with the government of Canada under the provisions of section 4 of the Canada Assistance Plan?

Questions

Mrs. Margaret Rideout (Parliamentary Secretary to Minister of National Health and Welfare): 1. Yes.

2. The Canada Assistance Plan regulations were made by order in council P.C. 1967-143 of January 26, 1967, and were published in the *Canada Gazette* on February 8, 1967.

3. See answer 2 above.

4. Agreements under the Canada Assistance Plan were sent to the provinces during the week of February 20 for consideration and signature; replies are expected within a few days.

TRAVEL BUREAU OFFICES ABROAD

Question No. 2,690—**Mr. Isabelle:**

In what countries does the Canadian Government Travel Bureau maintain offices?

[*Translation*]

Mr. Jean-Charles Cantin (Parliamentary Secretary to Minister of Trade and Commerce): At the end of the fiscal year 1965-66, the travel bureau had offices located in London, England; Paris, France; Frankfurt, Germany; Mexico City, Mexico; Tokyo, Japan; Sydney, Australia and Amsterdam, The Netherlands.

In the United States of America, offices of the travel bureau are located in the following cities—New York, Los Angeles, San Francisco, Minneapolis, Chicago, Boston, Cleveland, Detroit, Washington, Seattle, Denver, Philadelphia, Rochester, Cincinnati and Indianapolis.

In 1967, the bureau proposes to open a new office in Copenhagen, Denmark, and one in Rome, Italy.

[*English*]

LANGUAGES OF TRAVEL BUREAU LITERATURE

Question No. 2,691—**Mr. Orange:**

Does the Canadian Government Travel Bureau or any other agency of the government produce and distribute tourist literature in languages other than English and French?

Mr. Jean-Charles Cantin (Parliamentary Secretary to Minister of Trade and Commerce): The Canadian Government Travel Bureau continues to increase its production of travel literature in languages other than English and French. A good start has been made in producing travel literature in German and Japanese, and more publications will be available this year in these languages as well as Dutch, Spanish, Italian, Swedish, Danish, Norwegian and Finnish.

RETIREMENT AGES OF ARMED FORCES OFFICERS

Question No. 2,692—**Mr. Hales:**

1. What is the normal compulsory retirement age for officers of the rank of commander, R.C.N., lieutenant-colonel, army, and wing commander, R.C.A.F.?

2. Are any officers of that rank and above that age still drawing full service pay and if so (a) what is the name, rank, pay and allowances, and post of each (b) are such officers singled out for special treatment in regard to continuous service pay and, if so, for what reasons?

3. Is such over-age employment taken into account in calculating the pension of these officers?

4. What is the estimated retirement date of each, and on that basis, what is the estimated pension each will draw?

Hon. Léo Cadieux (Associate Minister of National Defence):

1.	Commander	Lieut. Colonel	Wing Commander
Officers other than medical instructors and chaplains	50	Officers other than Chaplains 51	Officers on flying list 49
Medical and instructor officers....	51	Chaplains 55	Non-flying list .. 51
Chaplains	55		Chaplains 55

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2. No.

3. Pensionable service is based upon full time paid service and any officer employed beyond his compulsory retirement age would be allowed to have such service taken into account.

4. Not applicable.

[Mr. Smith.]

REPORT ON PRINCE EDWARD ISLAND CAUSEWAY

Question No. 2,700—**Mr. Macquarrie:**

1. By whom was O. J. McCulloch commissioned or requested to prepare a report on the design for the Northumberland strait crossing?

2. Was a copy of his report sent by the government of Prince Edward Island to any department of the government of Canada?

3. Does Mr. McCulloch in this report propose that a level causeway could be constructed at a cost of approximately $60,000,000?

4. Does Mr. McCulloch in his report express doubt that the bridge and tunnel approaches of the presently projected crossing could withstand the extremely severe ice conditions which prevail in the Northumberland straits?

5. Is Mr. McCulloch's report currently under study by the Department of Public Works and are alterations in the projected design under contemplation?

Hon. G. J. McIlraith (Minister of Public Works): 1. Mr. O. J. McCulloch was not commissioned or requested to prepare a report on the design of the Northumberland strait crossing by any department or agency of the government of Canada.

2. No, but Mr. McCulloch sent a commentary to the Department of Public Works in July, 1966. A revised version was received from him on February 6, 1967.

3. Yes. However, the estimate of $60 million does not cover damage to property resulting from changes in tidal elevations that would result if a solid crossing were to be constructed.

4. Yes.

5. Yes. Studies completed to date do not indicate any need for changes in the design.

FILING OF CONFIDENTIAL CENSUS REPORTS

Question No. 2,704—**Mr. Crouse:**

1. Is consideration being given by the Department of Trade and Commerce to a later date for filing of confidential census reports covered by retail forms numbered 01, 03 and 07 which require by law a filing within three weeks of their receipt by merchants, with a threat of penalties for non-compliance?

2. So that small firms will be in a position to provide the information specified; will the department give consideration to extending the filing date to April 30, the same date required by the Income Tax Act?

Mr. Jean-Charles Cantin (Parliamentary Secretary to Minister of Trade and Commerce): 1 and 2. The Dominion Bureau of Statistics is constantly striving to produce more statistical data as quickly as possible. In this respect, the bureau continually seeks to improve and simplify its methods of gathering information and providing accurate and up-to-date information. In order to do this, D.B.S. is dependent on the co-operation of respondents in getting the information to the bureau at the earliest practical date.

The 1966 census of retail and service business, which is conducted at five year intervals, is a large undertaking involving over 200,000 retailers and service business operators. The 1966 questionnaires are much shorter and easier to complete than the 1961 forms.

However, if any firm requests an extension of time due to unusual circumstances, it will be given consideration.

QUESTIONS PASSED AS ORDERS FOR RETURNS

PURCHASES FROM CONTINENTAL TELEPHONE SUPPLY CO.

Question 2,369—**Mr. Orlikow:**

1. What is the dollar value of equipment purchased by the government of Canada in each of the past ten years from the Continental Telephone Supply Company of New York city?

2. Of this amount, how much was purchased by each government department?

3. What types of equipment were purchased from the Continental Telephone Supply Company by government departments?

4. What was the purpose of the purchase of this equipment?

Return tabled.

FEDERAL EMPLOYEES, LONDON, ONT.

Question No. 2,413—**Mr. Irvine:**

1. How many people are employed in the city of London, Ontario, by the federal government?

2. Of this number how many come under the Civil Service Commission?

3. How many do not come under the Civil Service Commission, and in what departments do they serve?

4. How many are under annual contract and in what departments do they serve?

5. How many are casual or non-permanent employees and in what departments are they employed?

6. How many are in other classifications?

7. Of those listed under parts 3, 4, 5 and 6, what holiday, vacation, pension and compensation benefits do they receive?

Return tabled.

FEDERAL EXPENDITURES ON RADIO AND TELEVISION ADVERTISING

Question No. 2,437—**Mr. Knowles:**

During the calendar year 1966, or during the latest twelve-month period for which figures are available, how much was spent by each department of the federal government on advertising by (a) radio over C.B.C. stations (b) television over C.B.C. stations (c) radio over private stations (d) television over private stations?

Return tabled.

Orders for Returns

ANNUAL GRANTS RESPECTING SUGAR BEETS

Question No. 2,450—**Mr. Grégoire:**

Since 1944, what annual grants were paid for sugar beets in each province?

Return tabled.

*POSTAL EMPLOYEES, LONDON, ONT.

Question No. 2,484—**Mr. Irvine:**

1. How many people were employed by the London post office and other postal services in London, Ontario, as casual and/or part-time workers during each month of 1966, and for how many days in each instance?

2. How many people were employed by the London post office and other postal services in London, Ontario, as casual and/or part-time workers in each of the years 1960 to 1966 inclusive, and in each of these years, how many of these workers were employed (a) for 60 to 100 working days (b) for 200 days or more?

Return tabled.

AREA DEVELOPMENT PROGRAM

Question No. 2,569—**Mr. Schreyer:**

1. Since the inception of the industrial area development and incentives program, what amounts have been expended by the government of Canada in each year by province?

2. How many applications for development grants have been received to date, by the area development agency from persons or corporations seeking to construct new facilities or expand existing facilities in the area of Manitoba census divisions 19, 3, 4, 7, 8, 10, 11, 12, 13, 14, 15, 16, 17 and 18?

3. With respect to part 2, how many of these applications were approved and what was the amount of the grant in each case?

4. How many applications were received under the area development program from persons or corporations seeking the accelerated capital cost allowance of this program with respect to the construction of stores, warehouses, motels and apartments in these areas?

5. With respect to part 4, how many applications were approved and what was the differential between the accelerated capital cost allowance allowed as compared to ordinary capital cost allowance applicable in each case?

6. What is the date of expiry of the accelerated capital cost allowances feature of the area development program and is it the intention to extend this?

Return tabled.

SUPERSONIC WIND TUNNEL

Question No. 2,590—**Mr. Orlikow:**

1. When was the supersonic wind tunnel constructed for the National Research Council?

2. What was the cost of constructing the supersonic wind tunnel?

[Mr. Knowles.]

3. What has been the cost of operating and maintaining the supersonic wind tunnel annually since it went into operation?

4. For what research and development projects has the supersonic wind tunnel been used since its inception?

Return tabled.

BALER AND BINDER TWINE

Question No. 2,601—**Mr. Howe (Hamilton South):**

1. What was the total quantity of imports of baler and binder twine into Canada in each of the years 1955 and 1965 and what were the countries of origin?

2. What was the total quantity of baler and binder twine manufactured in Canada in each of the years 1955 and 1965?

3. What percentage quantity of the total consumption in each year of 1955 and 1965 was imported and what percentage was manufactured in Canada?

4. If the percentage of total consumption met by imports increased during this ten year period, what steps are being taken to protect the Canadian industry and Canadian labour employed in that industry?

Return tabled.

*DELAY IN OPENING DRUMHELLER PENITENTIARY

Question No. 2,675—**Mr. Woolliams:**

1. Is it a fact that the opening of the Drumheller penitentiary has been delayed because of shortage of houses for a staff of approximately 175 employees, necessary for the operation and opening of the institution?

2. Would the Minister of Labour give details as to what direct negotiations have taken place with Central Mortgage and Housing to make a deal with the city of Drumheller to expedite the building of houses, so that this institution can be opened and relieve the crowded conditions of other institutions?

Return tabled.

APPLICATIONS FOR WORK IN YUKON UNDER EXPLORATION PROGRAM

Question No. 2,681—**Mr. Nielsen:**

Under the recently inaugurated northern mineral exploration program of the Department of Indian Affairs and Northern Development (a) how many applications have been made in connection with work to be performed in the Yukon Territory (b) by whom were such applicaions made (c) for how much was each application made (d) which applications, if any, have been approved?

Return tabled.

EGG EXPORTS AND IMPORTS

Question No. 2,696—**Mr. Godin:**

1. Has Canada exported eggs in 1965 and 1966 and, if so (a) to what countries (b) in what quantities?

2. During the same period, what quantities were imported and from what countries?

Return tabled.

TELEVISION

CREATION BY ESTIMATE OF CORPORATION TO PROVIDE EDUCATIONAL FACILITIES

On the orders of the day:

Right Hon. J. G. Diefenbaker (Leader of the Opposition): Mr. Speaker, I will direct my question to the Acting Prime Minister. It has to do with the supplementary estimate of the Secretary of State providing authorization for the setting up of a corporation and for the minister to make payments to provide broadcasting facilities for educational purposes. In view of the fact that it is rather unusual to create a corporation by a supplementary estimate, and considering the delicate position of education and the fact that the exclusive authority over education rests with the provinces, would not the Acting Prime Minister, in his best parliamentary manner, direct that this question come before the house in the form of a bill so that discussion can take place thereon, rather than circumvent parliament in connection with this information through the instrumentality of a supplementary estimate?

Hon. Paul Martin (Acting Prime Minister): Mr. Speaker, I can assure my right hon. friend that there is no intention on the part of the minister or the government of circumventing parliament in any way. The right hon. gentleman is, of course, correct in saying that the normal process is through a bill. However, there are precedents for the use of an estimate. This device has legislative consequence, to implement the purpose the government has in mind.

One of the difficulties in the present situation is that in spite of the progress that has been made legislatively, we have not been able to implement the full legislative program of the government. It is for this reason that it has been found necessary to resort to this particular method, which I repeat is a legislative method, to achieve the purpose the government has in mind. For the moment, I would suggest that this response be left at that. If there is any further consideration that can be given to this matter, perhaps later I might report.

Mr. Diefenbaker: May I ask the minister, in view of the fact he admits this is a short-cut and not the normal process, and since in a matter affecting education arguments such as that are not very effectual—so it will take a long time to pass legislation of this kind, will he not do more than he has done already and, with his wide knowledge of parliament and its rights—enjoin his colleagues to preserve those rights so that a corporation be not set up by subterfuge in this manner?

Mr. Martin (Essex East): I can only say that the adjectives my hon. friend has employed are not warranted in the circumstances. The government is not employing any subterfuge. The government is not interested in bypassing parliament.

Mr. Diefenbaker: Well, it is doing it.

Mr. Martin (Essex East): All my hon. friend has done is to indicate that we propose to take a legislative step in a manner that is not generally adopted, but for which there are precedents. I cannot put my finger on them, but I am sure that during the time the right hon. gentleman was prime minister his government introduced legislation in this form. In any event, my right hon. friend may be assured that the government has given careful consideration to all points of view on this matter. He may be assured that we, no less than he, are anxious to preserve all the privileges and obligations of this free parliament.

Mr. R. W. Prittie (Burnaby-Richmond): I wonder if I could direct a supplementary question to the Secretary of State. Will the government give consideration to introducing this measure by way of the C.B.C., which is set up at the moment to do educational broadcasting? I realize one of the difficulties facing the government is that they are awaiting the report of the committee on educational television, but could they not give this work to the C.B.C. pending a final decision?

Hon. Judy V. LaMarsh (Secretary of State): The item in question does not propose to set up a corporation which would deal with programming for educational television, which of course is within the constitutional responsibility of the provinces. This is to be a corporation which will create facilities for the rental of time to provincial agencies of one kind or another. The reason the government decided to introduce it by way of a supplementary item instead of by way of a bill, which would

have to pass through all stages, is that this should properly be part of the Broadcasting Act which is not expected, by reason of the committee not having yet reported, to be presented during this session of parliament.

The proposal to legislate by means of an item in the estimates is not intended to be a final solution. It is proposed that subsequently there will be a piece of legislation, and it certainly was my intention, and the government's, that a very full explanation would be given when the item was called in an attempt to live up to an undertaking, particularly to the province of Alberta which is desirous of getting on with educational television in 1967. If this does not meet the wish of parliament, however, and it would prefer to require the province of Alberta to wait until 1968, of course the item can be withdrawn, and at such time as there is legislative time available a bill can be brought forward. It was hoped all hon. members would appreciate the importance of creating facilities in order that the provinces might get on the air, particularly in the rather remote sections. This was an attempt to co-operate with the provinces.

Mr. Fairweather: The minister still has not answered why the Canadian Broadcasting Corporation cannot fulfil this function.

Mr. Speaker: Order, please.

RESEARCH

INQUIRY AS TO SUPPORT FOR HARP PROJECT

On the orders of the day:

Mr. T. C. Douglas (Burnaby-Coquitlam): May I direct a question to the Minister of Transport, who was designated by the Prime Minister on Friday to look after the communications satellite program. Has his attention been drawn to the fact that the McGill University space research institute is running out of money for its high altitude research program, generally referred to as HARP, and that the income from the federal government is to end on June 30? I wonder if the minister is aware of the fact some 20 per cent of the staff have already been laid off. In view of the Chapman report concerning the urgency of Canada getting into the satellite communication field, is the government giving any consideration to continuing its financial assistance to McGill University for HARP?

Hon. J. W. Pickersgill (Minister of Transport): I think perhaps I should clarify the matter. The HARP program is not concerned with communications at all. It is a research program and is engaged in research activities. The support that has been given to this project has been given through my colleague the Minister of Industry, and I believe any questions would be more properly directed to him.

Mr. Douglas: May I ask a supplementary question of the Minister of Industry. In view of the fact that HARP is not designed to deal with satellites but to put satellites into orbit, and in view of the fact the Chapman report says it is most urgent that Canada get into this field if it is not to lose its position, may I ask the minister if any consideration is being given to continuing financial assistance to the HARP program at McGill University.

Hon. C. M. Drury (Minister of Industry): There is in the Chapman report a lengthy analysis of the HARP program itself, but the conclusion of that report is not such as to encourage me to recommend continuing financial support in view of other demands on research funds.

[*Translation*]

EDUCATION

ENCOURAGEMENT OF EXCHANGES BETWEEN FRENCH SPEAKING UNIVERSITIES

On the orders of the day:

Mr. Réal Caouette (Villeneuve): Mr. Speaker, I have a question for the Secretary of State for External Affairs.

Saturday night, he made this statement before the officers of the Junior Chamber of Commerce:

> The Canadian government will contribute $50,000 to partly or wholly French speaking universities.

Could the minister tell us whether Canadian universities interested in spreading or teaching French will benefit by this contribution?

Hon. Paul Martin (Secretary of State for External Affairs): Mr. Speaker, this grant of $50,000 will go toward the establishment of a private organization known as the A.U.P.E.L.F., that is the Association des universités partiellement ou entièrement de langue française. The objective of this organization, made up of representatives of universities of several countries, is to foster the exchange of teachers and students among all French speaking countries.

Mr. Caouette: Mr. Speaker, a supplementary question. Would the minister be in a position to tell us whether the same principle

for the promotion of exchanges among the various French speaking countries could be applied to Canadian provinces interested in such exchanges or in spreading the knowledge of both languages in Canada?

Mr. Martin (Essex East): Mr. Speaker, not through that organization, but the same principle could be applied to promote the exchange of students between the various provinces.

[*English*]

NATURAL GAS

POSSIBLE CHANGE IN TARGET DATE FOR COMPLETION OF NEW LINE

On the orders of the day:

Mr. H. A. Olson (Medicine Hat): Mr. Speaker, I should like to address a question to the Minister of Energy, Mines and Resources. In view of recent developments in the United States before the federal power commission in connection with the application of Trans-Canada for the approval of the Great Lakes project, has there been any revision of the timetable or target date both with respect to hearings and the delivery of additional gas to eastern Canada?

Hon. Jean-Luc Pepin (Minister of Energy, Mines and Resources): Mr. Speaker, the federal power commission has decided to skip what is called the presiding examiner's report and deal with the matter directly. On April 24, I think it is, the commission will be seized of the situation, and it is expected that a decision will follow shortly after that.

Mr. Olson: A supplementary question, Mr. Speaker. Has the minister been assured by Trans-Canada Pipe Lines that there is still sufficient time to build the additional facilities required to deliver gas to eastern Canada to meet the anticipated additional requirements for next winter?

Mr. Pepin: Mr. Speaker, the objective is to make sure that additional quantities of gas will be delivered next winter in eastern Canada. However, it very much depends upon whether you are an optimist when you try to assess if the decision of the federal power commission will be in time to realize this objective. As the situation stands now it is hoped that a decision will be given in late April or early or late May, depending on your degree of optimism or pessimism.

If this is the case, Mr. Speaker, then the company might have enough time to build the Great Lakes project next summer. If it should not be so, Trans-Canada Pipe Lines has been advised by the government that it should have an alternative project ready in time to be put before the National Energy Board.

Mr. Olson: A further supplementary question. Is the alternative project to which the minister refers the twinning of the northern Ontario route?

Mr. Pepin: When I refer to the alternative project, Mr. Speaker, I am referring to that.

Mr. M. W. Martin (Timmins): A further supplementary question, Mr. Speaker. Has the minister any recent evidence to show that there is a possibility of delay occurring through appeals following the decision of the F.P.C.?

Mr. Pepin: I cannot understand the question. Would the hon. member repeat it?

Mr. Martin (Timmins): At one stage, Mr. Speaker, it was intimated that even when the decision of the federal power commission is handed down there could still be considerable delay because of appeals being taken to the Supreme Court, and so forth. Has the minister any information in this regard?

Mr. Pepin: No, Mr. Speaker. When the federal power commission makes a decision I would think Trans-Canada Pipe Lines and the Great Lakes project could proceed without further delays, if the decision is favourable.

EXPO '67

COMPLAINTS RESPECTING REQUESTS FOR ACCOMMODATION

On the orders of the day:

Mr. G. H. Aiken (Parry Sound-Muskoka): Mr. Speaker, I have a question for the Minister of Trade and Commerce. Is the minister investigating complaints that Logexpo is not answering mail inquiries for accommodation at Expo '67.

Hon. Robert Winters (Minister of Trade and Commerce): Mr. Speaker, there might have been minor grounds for some complaints. I think Logexpo was waiting until it had found accommodation before replying to letters received, but this procedure has now been changed and it is acknowledging letters when they are received.

Mr. Aiken: A supplementary question. Can the minister assure us, then, that all inquiries that are being received by mail, particularly

those from outside of Canada, will be acknowledged promptly if not acted upon immediately?

GRAIN

REQUEST FOR INCREASE IN PRICE UNDER INTERNATIONAL WHEAT AGREEMENT

On the orders of the day:

Mr. Jack McIntosh (Swift Current-Maple Creek): Mr. Speaker, I have a question for the Minister of Agriculture but in his absence I will address it to his parliamentary secretary. In view of the announcement today by the Minister of Transport of the increase in tolls on the St. Lawrence seaway, a step which will reflect on the cost of delivery of grain from western Canada, will the minister advise this house what steps have been taken by the Canadian government to increase the price of wheat under the international wheat agreement?

Mr. Bruce S. Beer (Parliamentary Secretary to Minister of Agriculture): I will be pleased to bring this question to the attention of the minister, Mr. Speaker.

TRADE

SALE IN CANADA OF GOODS CONFISCATED IN CUBA

On the orders of the day:

Mr. J. R. Keays (Gaspé): Mr. Speaker, I have a question for the Minister of Trade and Commerce. Does the government intend taking any action to outlaw the entry into Canada of goods confiscated in Cuba and sold at auction in Montreal?

Hon. Robert Winters (Minister of Trade and Commerce): I shall have to take that as notice, Mr. Speaker.

NATIONAL DEFENCE

INQUIRY AS TO U.S. PERMISSION TO DELAY UNIFICATION

On the orders of the day:

Hon. Gordon Churchill (Winnipeg South Centre): Mr. Speaker, I should like to ask the Minister of National Defence a question. Has the minister communicated with Washington to ask his mentor, Mr. McNamara, if the proposed unification of the Canadian forces may be postponed?

Hon. Paul Hellyer (Minister of National Defence): Mr. Speaker, I am sure my hon. friend is not putting this question forward with too much seriousness; therefore I hesitate to reply. I am also sure that the United States appreciates the wonderful co-operation which has existed between our two countries over the past years, and anticipates that nothing will detract from that co-operation in the years ahead.

FINANCE

U.S. ORDER RESPECTING INSPECTION OF BANKS IN FOREIGN COUNTRIES

On the orders of the day:

Right Hon. J. G. Diefenbaker (Leader of the Opposition): Mr. Speaker, I should like to ask a further question of the Acting Prime Minister. Has the Canadian government received any reply from the government of the United States to the protest regarding the ruling by the federal reserve board that that board can inspect banks operating in other countries, including Canada?

Hon. Paul Martin (Acting Prime Minister): Not as yet, Mr. Speaker.

Mr. Diefenbaker: Is this one of the subjects that will be discussed during the Prime Minister's social visit to Washington later this month?

Mr. Martin (Essex East): A reply will be given in the normal course of events, Mr. Speaker.

EXTERNAL AFFAIRS

INQUIRY AS TO CANADA-U.S. MINISTERIAL MEETING

On the orders of the day:

Hon. Alvin Hamilton (Qu'Appelle): Mr. Speaker, my question is to the Acting Prime Minister. I should like to know whether any plans have been consummated for the holding of the meeting of Canadian ministers and secretaries of the United States which is customary at this time of year.

Hon. Paul Martin (Acting Prime Minister): Yes, Mr. Speaker, the government has been in touch with the government of the United States and it has been proposed that the next Canada-United States ministerial meeting be held in June on Expo territory. Both governments have accepted this in principle and we are now trying to work out a date. I hope the meeting will be some time toward the middle of June.

Mr. Hamilton: A supplementary question having to do with the agenda of this meeting. I wonder whether the Acting Prime Minister

would give the house the assurance that either he or the Prime Minister will consult with the chairman of the legislative group which has been meeting with its United States counterparts in 1965 and 1966. It was apparent from the last discussions which were held in Washington that there was no consultation between the legislative branch and the executive branch. Therefore I would ask the Acting Prime Minister whether he would take it upon himself to consult with the chairman of the Canadian side at least to the end that the subject matters discussed by the legislative branch will be brought forward for discussion by the executive branch.

Mr. Martin (Essex East): Yes, Mr. Speaker, I will.

CANADIAN BROADCASTING CORPORATION

FURTHER INFORMATION ON DISTRIBUTION OF COLOUR TELEVISION SETS

On the orders of the day:

Hon. Judy V. LaMarsh (Secretary of State): Mr. Speaker, last Friday the right hon. Leader of the Opposition made some remarks and inquiries in respect to the provision by the Canadian Broadcasting Corporation of colour television sets. I have been able to get some information which I should now like to give both him and the house.

The C.B.C. has advised me that it had not provided the specific names of staff members occupying positions to which colour sets have been assigned because of an understanding over the years that it is not the intent of parliament to require crown corporations to make public information which is basically related to their internal administration and management.

While the corporation has always replied freely to parliamentary questions on matters of C.B.C. policy, it has from time to time sought the indulgence of parliament in not providing information of a detailed operational nature. In the view of the corporation the question with respect to the colour television sets came within this category. If the corporation is in error in this interpretation of intent and is so advised by parliament, then the names will be provided. The C.B.C. cannot and will not refuse any information requested by parliament, and this applies to the present instance. While the corporation is in the hands of parliament, it respectfully suggests that a continuation of past policy and practice in principle is essential to the most efficient operational needs of the corporation in all their aspects.

The corporation does not require regular reports from occupants of those positions assigned colour T.V. sets, but requires them to be conversant with either or both the programming and technical aspects of its colour programming. Because colour television is new the discussion and assessment of the colour performance is carried out by C.B.C. staff on a continuing and near daily basis rather than at periodic intervals. It is also part of most program and technical meetings.

HOUSING

SUGGESTED REDUCTION IN INTEREST RATES ON MORTGAGE LOANS

On the orders of the day:

Mr. David Lewis (York South): I have a question for the Minister of Labour in his capacity as the minister responsible for housing. In view of the steady worsening of the housing crisis in Canada, and reports that starts in the first two months of this year were reduced by 38½ per cent as compared with the first two months of last year, can the minister inform the house whether he is considering reducing the interest rate on N.H.A. loans and enabling such loans to be made directly to prospective home owners as well as to construction companies?

Hon. J. R. Nicholson (Minister of Labour): While it is true that housing starts were down during the months of January and February, I think it is safe to say that our experience of the last four weeks illustrates the wisdom of changing the rate to 7¼ per cent, since I understand that we have had more applications from approved lenders in the last four weeks or so than in the entire six months before the increase in the interest rate took place; that is, while the old rate was in effect. When the new rate became effective there was a certain element of flexibility attached to it. It is tied to the yield on bonds issued by the federal government. We see no necessity for further change at this time.

I personally am very encouraged about the reports which have been received on the number of loan applications accepted by approved lenders in the last three or four weeks. It has been exceptionally high, certainly not in line with the figures for January and February, because those were tied in with loan applications made last fall when the old rate was in force.

Mr. Lewis: May I ask the minister, who is rather easily encouraged, I think, whether he or the government is considering any new

policies at all relating to the housing program. If so, when can this house expect the announcement of such new policies, unless the minister is satisfied with everything about his policies as they are?

Mr. Nicholson: With all due respect, in spite of the hon. member's sarcasm, I wish to make it clear that neither the minister nor the government is satisfied with the number of housing starts, and the matter of what further action should be taken is constantly under review.

[*Translation*]

Mr. Caouette: Mr. Speaker, I wish to ask a supplementary question.

The hon. minister has just said that the increase in the interest rate was an incentive for the building of new dwellings in Canada. Does the hon. minister agree that the building problem in Canada would be solved, as he says, by increasing the interest rate from 7¼ per cent to 20 per cent?

Mr. Speaker: Order. That is an argument rather than a question.

[*English*]

Mr. W. B. Nesbitt (Oxford): I have a supplementary question for the Acting Prime Minister. In view of the general interest in increasing housing starts throughout Canada, would the hon. gentleman recommend to his colleagues on the treasury benches the removal at once of the 11 per cent sales tax on building materials?

Mr. J. R. Keays (Gaspé): A further supplementary to the Minister of Labour, based on the fact that applications are now being received from people who wish to borrow money directly from C.M.H.C., which money will not be available until April 1. In view of the decline in housing starts, would the minister inquire whether these loans could not be made available as of now rather than as of April 1?

Mr. Nicholson: We have already had some discussion in the house today about the importance of coming to parliament in connection with certain matters. We are beginning a new fiscal year on April 1, and this is why we have advanced the date for the making of application without waiting until the next fiscal year. The funds will come out of next year's estimates.

Mr. G. L. Chatterton (Esquimalt-Saanich): Can the minister assure the house that any person who would otherwise qualify but who cannot get a loan through an approved lender will be able to get a direct loan from C.M.H.C?

Mr. Nicholson: No, Mr. Speaker, I cannot give any such assurance. I can give the assurance, however, that applications received both from builders and from individuals who wish to build their own homes will receive prompt consideration provided the applicants are reasonably good risks and satisfy the other conditions which come into the loan picture.

VETERANS AFFAIRS

REQUEST THAT PENSION INCREASE BE EXTENDED TO DEPENDANTS

On the orders of the day:

Mr. A. B. Patterson (Fraser Valley): I wish to direct a question to the Minister of Veterans Affairs. In view of the delay in the tabling of the Woods committee report and the continuing hardship experienced by recipients of veterans pensions, will the minister reconsider his previous decision and extend the recent 15 per cent increase to dependants as well?

Hon. Roger Teillet (Minister of Veterans Affairs): First, the delay in adjusting the pensions of veterans is not because of the Woods report; it is awaiting the report of another nature from another group in my department which is dealing specifically with pension rates. I can assure the hon. member and the house that if the report does not come to hand in the fairly near future we shall perhaps have to consider making some adjustment in pension rates in the interim period. I am hoping the report will be to hand in time for this to be avoided, and for an adjustment to be made consistent with some logical basis.

Mr. Patterson: Does this contemplated revision include dependants as well as the recipients?

Mr. Teillet: All aspects of pension rates are being considered in this study.

AGRICULTURE

INQUIRY AS TO PROVISION OF FARM LABOUR FOR SEEDING SEASON

On the orders of the day:

Mr. E. Nasserden (Rosthern): I have a question for the Minister of Labour. Has the department under consideration any special program designed to satisfy the demand for farm labour during the seeding season which is coming up?

Hon. J. R. Nicholson (Minister of Labour): I believe that in line with the new division of responsibilities announced in December, 1965 by the Prime Minister, this is a question which more directly concerns my colleague the Minister of Manpower and Immigration. However, I will be glad to take the matter up with him. One thing that the Minister of Labour has done, in line with requests from members of all parties in the house, has been to promote a change in the regulations governing unemployment insurance, in the hope that this may improve the situation with regard to the availability of more farm labour.

[*Later:*]

Mr. S. J. Korchinski (Mackenzie): Mr. Speaker, I would like to direct a question to the Minister of Labour supplementary to one that was raised earlier. In view of the fact that the unemployment insurance regulations prohibit the employment of relatives in the farm industry, is the minister receiving complaints in regard to this matter and is he contemplating any change in this restriction?

Mr. Nicholson: As you might expect, Mr. Speaker, we have had a few complaints but they are not appreciable in number. The matter has been under study but I do not anticipate any change in policy at this time.

REQUEST FOR ANNOUNCEMENT OF DAIRY POLICY

On the orders of the day:

Mr. Eric A. Winkler (Grey-Bruce): Mr. Speaker, I wish to direct a question to the Acting Prime Minister. Can he inform the house that as usual we may expect an announcement of the 1967 dairy policy on or before the 31st of this month and, if so, will it include a 5, 6 or 7 cent increase in the price of manufactured milk to producers?

Mr. Speaker: Order, please. A similar question was asked on at least one occasion last week.

Mr. Winkler: The situation is becoming very critical, Mr. Speaker, and I think the hon. gentleman, with his interest in agriculture, could probably answer the question.

GRAIN

QUEBEC—POSSIBLE SALE OR LEASE OF ELEVATOR

On the orders of the day:

Right Hon. J. G. Diefenbaker (Leader of the Opposition): I would ask the Minister of Transport whether there is any basis for the suggestion in the press regarding his visit to Quebec that the grain elevator in the port of Quebec is to be sold. If so, under what conditions is it to be sold, and are tenders to be called?

Hon. J. W. Pickersgill (Minister of Transport): If by "Quebec" the right hon. gentleman means the city of Quebec, let me say I have not visited that city for a very long time. I did happen to be in Montreal over the week end.

As to the question of the grain elevator, I think I explained to the house some time ago that the National Harbours Board was entertaining applications for either the lease or the sale of the elevator under certain conditions, and I believe certain propositions have been received.

If Your Honour would permit me, I should like to repeat the assurance I gave earlier that all agencies of the federal government interested in the transport or sale of wheat will be consulted before any final action is taken.

Mr. Diefenbaker: Did the Minister of Transport suggest that additional elevators will be built by private firms? I ask that question because it seems strange, bearing in mind the tremendous amounts of wheat which have to be stored, that the government should be considering, through the harbours board or otherwise, disposing of facilities which are certainly much required.

Mr. Pickersgill: I do not know anything about any plans of private firms to build additional elevators. I certainly made no statement about them. So far as the elevator at Quebec is concerned, the only circumstance under which the government would consider agreeing to any proposal from the harbours board to dispose of this elevator, either by sale or lease, would be in order to increase the throughput of grain through that elevator. If that would not be the consequence then we would not want to do it.

Hon. Alvin Hamilton (Qu'Appelle): Mr. Speaker, my supplementary question follows an earlier question I put on this matter. Has the minister had conversations with the Quebec minister of agriculture, who sent a wire asking that he be consulted before any action was taken on the matter of this elevator?

Mr. Pickersgill: I have not actually had any conversations. I did have some correspondence with the minister of agriculture of Quebec and I conveyed to him the same message I have conveyed to this house, namely, that all those departments of the government of Canada that were interested would be consulted before any action was taken and we would, of course, pay the most careful attention to any representations that were made by anyone concerned. Since I communicated with him, to the best of my knowledge I have received no further representations myself although the harbours board may have.

Hon. Théogène Ricard (Saint-Hyacinthe-Bagot): As a supplementary question, in view of the fact that the assurances the minister is giving with regard to the sale or possible rental of this elevator are not satisfactory to those interested, can the minister say in black and white whether he is going to permit or refuse the rental or sale of this elevator?

Mr. Pickersgill: Mr. Speaker, I could not say in black and white what would be done about a hypothetical proposition that I have not seen, but I think I can assure the hon. gentleman that no sale or lease of that elevator is going to take place unless it is the belief of the government that it will contribute to the national interest, to the interest of the consumers of domestic grain in the province of Quebec, and to facilitating the export of our grain.

Mr. Ricard: We are not satisfied with that.

Mr. Ed. Schreyer (Springfield): As a supplementary question I wish to ask the Minister of Transport whether he can say that it is government policy to encourage the sale or lease by the National Harbours Board of these facilities.

Mr. Pickersgill: I think I could put it this way, sir. It is the policy of the government to take every practical and sensible step to see that the maximum use is made of these facilities because, as the Leader of the Opposition pointed out, our exports are growing, our grain traffic is growing and we have to make the best possible use of the limited facilities we have.

Mr. Diefenbaker: I wish to ask one question in that connection. Surely the minister does not suggest that private interests taking over this elevator could assure a greater put-through, which I think was the expression he used.

[Mr. Hamilton.]

Mr. Martin (Essex East): Throughput.

Mr. Diefenbaker: Throughput. I put it the wrong way, end to.

Mr. Pickersgill: It is the same thing.

Mr. Diefenbaker: But surely the minister does not suggest that private interests operating this elevator would be able to do a better job than the government?

Mr. Pickersgill: I think that is quite probable.

Mr. Speaker: Order, please. We have had a number of supplementary questions on this subject and I suggest to hon. members that we might go on to another matter.

INQUIRY OF THE MINISTRY

On the orders of the day:

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, I wish to address a question to the hon. Miss Secretary of State. Has the minister received any representations from the Minister of Agriculture for the improvement of C.B.C. programs in accordance with his suggestions to the national banquet of the curling association when he was guest speaker about a week ago?

Mr. Speaker: Order, please, The hon. member knows he cannot ask about communications between members of the cabinet.

[*Translation*]

CANADIAN BROADCASTING CORPORATION

REQUEST FOR UNINTERRUPTED PRESENTATION OF NATIONAL NEWS

On the orders of the day:

Mr. Réal Caouette (Villeneuve): Mr. Speaker, I should like to put a question to the Secretary of State.

For the past two or three evenings the broadcasting of the national news has been interrupted to give the local news of Ottawa. Could we have at least on the French network the same service as on the English network, that is the entire broadcast of the national news in the evening and the local news, if any, afterwards?

Mr. Speaker: Order. This question should be placed on the order paper.

[*English*]

BUSINESS OF THE HOUSE

CONSIDERATION OF ESTIMATES FOR NEXT FISCAL YEAR

On the orders of the day:

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, may I direct a question to the President of the Treasury Board. Can the minister say whether we will be dealing with any of the estimates he tabled today in this session or will we deal with all of them in the next session of parliament?

Hon. E. J. Benson (Minister of National Revenue and President of the Treasury Board): Mr. Speaker, on the presumption that this session will be ended very quickly I would hope they would be dealt with in the next session.

Mr. Knowles: As a supplementary question, may I ask the minister whether the government will be seeking interim supply before the Easter recess?

Mr. Benson: Mr. Speaker, it would be my hope that we would get interim supply so we would have supply before the Easter recess as it probably will extend into April.

INDIAN AFFAIRS

DISTRIBUTION OF HAWTHORN-TREMBLAY REPORT

On the orders of the day:

Mr. T. S. Barnett (Comox-Alberni): Mr. Speaker, I would like to give the Secretary of State an opportunity to demonstrate whether the confidence which was expressed in her by the Minister of Industry last Friday is well founded. He informed my colleague, the hon. member for Skeena, that she had heard the representations and would act on them and make available to Indian bands across the country copies of the Hawthorn-Tremblay interim report—

Mr. Speaker: Order, please. The hon. member knows that according to the rules he has to ask a question. A question should not be prefaced with a speech, however long.

Some hon. Members: Oh, oh.

Mr. Barnett: Mr. Speaker, I would like to ask the Secretary of State whether she has acted upon that request and will in fact make copies of the report available to Indian bands across the country without cost so they may study it?

Hon. Judy V. LaMarsh (Secretary of State): Mr. Speaker, I would think normally this would lie within the responsibility of my seatmate, but do I take it that my hon. friend is asking a question about printing?

Mr. Barnett: Mr. Speaker, perhaps if I might—

Mr. Speaker: Order, please. Perhaps the hon. member and the minister might get together after we call orders of the day and decide whether or not they have a question.

• (3:40 p.m.)

BANK OF CANADA ACT

AMENDMENTS RESPECTING DIRECTION OF MONETARY POLICY, CASH RESERVES, ETC.

The house resumed, from Friday, March 10, consideration in committee of Bill No. C-190, to amend the Bank of Canada Act—Mr. Sharp—Mr. Batten in the chair.

The Chairman: When the committee rose on Friday clause 1 was being discussed.

On clause 1—

[*Translation*]

Mr. Gauthier: Mr. Chairman, I wish to make some remarks at this stage of consideration, in committee, of Bill No. C-190, for the good reason I was not on the committee because we were entitled to only one representative, according to the proportional representation.

Obviously, I could have made those remarks on motion for second reading as others did; however, I have chosen to wait for the results of the work of the committee.

This will allow us, after going through previous studies, to make a more realistic comparison of the work done.

This is the third decennial revision since the establishment of the Bank of Canada, and we find that nothing has been changed in the essence; in its endless repetition history reminds us of the hands of a clock.

Nothing has been changed, either in the procedure applicable to special and standing committees, or in the way witnesses are called before the standing committee; it has changed even less as far as evidence is concerned, except for the more ruthless way of dismissing embarrassing witnesses.

As a matter of fact, most witnesses are carefully selected in advance by a steering committee which must take a vote. The briefs themselves are appraised in advance by that select committee before being read

by the standing committee. As a result, with a few exceptions, the only documents to be submitted to the standing committee are those suitable to the financiers, that is, which are in accordance with the present financial system.

In that connection, a member of the committee to whom I was pointing out such unfairness answered me that, under the rules, the steering committee was fully empowered to decide not to discuss such or such a question or not to submit such or such brief to the standing committee. And he further added: Yes, but any brief not discussed or read in committee appears in the proceedings as an appendix:

What is the use of putting it into the report if it has not been considered? It is as if a question was filed in the archives without first having been studied at all.

Mr. Gray: May I ask the hon. member a question? Did he say that some papers had been brushed aside by the steering committee on finance, trade and economic affairs? If he has said that, he is mistaken.

Mr. Gauthier: I said that some briefs which have not been discussed in committee should appear in the report. But you will not allow such reports to be introduced and discussed in the committee.

Mr. Gray: On a question of privilege, Mr. Chairman, I wish to assure my hon. colleague that when the briefs which were only included in the record, it was because those who presented them stated that they did not wish to appear before the committee.

Mr. Gauthier: Mr. Chairman, I would have the chairman of the committee note that the briefs I have mentioned have been discussed by the steering committee and that it was probably decided to discard them, and not to submit them, and I shall simply mention that the brief of the hon. memer for Compton-Frontenac (Mr. Latulippe) has probably been forgotten or set aside and will appear only in the report of the committee. But I believe it has not been thoroughly discussed in committee. This is what I would have the chairman of the committee note.

Mr. Gray: I should like to point out, Mr. Chairman, that the hon. member for Compton-Frontenac was fully entitled to appear before the committee and to present his report. He was present often enough at the sittings to ask questions and to take part in the discussion. It was his own decision not to appear before the committee. And I think you should complain to your colleague from Compton-Frontenac on this score.

Mr. Gauthier: Mr. Chairman, the chairman of the committee, I think, is saying that the member for Compton-Frontenac was not entitled to present a brief to the committee because he was sitting on the committee. Is my interpretation correct?

Mr. Gray: Mr. Chairman, you will certainly allow me to answer this question. The hon. member for Compton-Frontenac had a right to sit in the committee as a regular member, to present his brief and to answer the questions that would have been asked of him about the recommendations in his brief. I want to assure the members of this committee of the whole that the hon. member for Compton-Frontenac very often attended our meetings and that he worked considerably on matters in which our committee was interested.

Mr. Gauthier: I know that the member for Compton-Frontenac fulfilled his duties quite satisfactorily in the committee, but I also know that he prepared a brief which has been discussed. I am talking about the attendance, the discussion or the permission to ask questions of the witnesses, because I shall have something to say about this later.

• (3:50 p.m.)

But this brief was never presented to the standing committee, because it was decided, I think, in the special committee, that there was not sufficient time to submit it to the standing committee. They simply decided to table it.

As far as I know, that is what happened concerning this report.

Mr. Clermont: Mr. Chairman, would the hon. member permit me a question?

Mr. Gauthier: Yes, provided that questions and discussions will not take up all my time.

Mr. Clermont: Mr. Chairman, I think the hon. member should check with the hon. member for Compton-Frontenac, because if he had wanted to be heard as a witness by the committee on finance, trade and economic affairs, he could have testified. However, the member for Compton-Frontenac, who is here near me, did not insist to be heard.

Mr. Gauthier: Mr. Chairman, that is exactly what I discussed with the hon. member for Compton-Frontenac. Please note that

he lives with me, since we share the same apartment.

The hon. member says that he did not insist?

Mr. Clermont: He did not, Mr. Chairman.

Mr. Gauthier: I think there was no need for him to insist, Mr. Chairman, because it was a matter of tabling his report. If the committee is to be impartial, it should table this report like any other, and that is precisely why I raise the point.

In my opinion, this is the very basis of all financial dictatorship to which we are more and more subservient every day in our economic structure; furthermore, we find a second control, that is the one exercised upon those who question the witnesses and who have the favour of the special committee. Indeed, when some members of the standing committee who are known as opposed to the government group question the witnesses, a well directed artillery was put into action with a view to annihilating the evidence as much as possible. We have proof of this, and here it is. I will simply mention the most recent case which, to my mind, is the most subtle one.

In this respect, I ask the house to refer to page 125 of the provisional report that was handed to us concerning volume 49 which had not already been translated into French when motion for second reading of the bill was put —and here I wish to thank the members of the bureau for translations who have brought forward the French copies of the true proceedings—when the hon. member for Compton-Frontenac, representing the Ralliement créditiste was questioning Mr. Rasminsky.

The other day I did not have those memoranda before me to start the discussion, and that is precisely why I wish, Mr. Chairman, to tell this house that I wanted to have the proof in order to point out what was happening in the committee.

After a great many sneaky detours to keep the hon. member for Compton-Frontenac from questioning Mr. Rasminsky, the chairman of the committee, realizing that he could not do otherwise, finally agreed to recognize him in the following terms, as recorded in the report:

> You may start your questioning and if the members of the committee and myself, as chairman, think you are out of order, we can resume this discussion in due course.

And a second fiddle, the hon. member for Quebec-Montmorency (Mr. Laflamme) added:

> Perhaps we could simply advise Mr. Rasminsky to answer more concisely than before.

Mr. Chairman, as recorded at page 125(2) of these reports, it is there very plainly in the verbatim notes I have just read, but what do we find in the printed report? This is the reason why I do want to put the record straight at this stage.

For instance, instead of reporting the hon. member for Quebec-Montmorency as saying:

> Perhaps we could simply advise Mr. Rasminsky to answer more concisely than before.

the report distributed to us says:

> We want to let Mr. Rasminsky know that it is not necessary for him to repeat what he has already said.

Mr. Chairman, in plain words instead of legal jargon, that means that Mr. Rasminsky does not have to answer the questions put to him by the hon. member for Compton-Frontenac. I can assure you that such speech, from the mouth of a member who may think of himself as a genius in monetary matters, because he has studied law, are likely to deter a business operator like the hon. member for Compton-Frontenac.

In fact, if one reads impartially the questions asked by the hon. member for Compton-Frontenac, one notes that they are as timely and sensible as any asked by any other member.

I was getting a while ago to other remarks made by the hon. member for Quebec-Montmorency. Having failed to understand clearly a question put by the hon. member for Compton-Frontenac, Mr. Rasminsky said quite simply:

> I do not understand the question.

Once again, to make fun of the hon. member for Compton-Frontenac, the hon. member for Québec-Montmorency said to Mr. Rasminsky:

> You do not have to understand.

Mr. Chairman, all those questions do something to us and when we read the evidence and see such things happening, I assure you that we are right to be ashamed sometimes.

The supremacy of the government is proclaimed in Bill No. C-190. Finally, in the proposed amendment it is said that the government will hold supreme authority over the Bank of Canada. Under the new amendment, the Bank of Canada will have to pay interest but it is not told how to act with our capital which it gives so generously to foreigners. It

is asked to pay interest on foreign capital it holds in deposit, but it is not told what to do about the amounts it just gives to foreigners. Finally, all this is only a giant smoke screen to create even more confusion among the people about our monetary system and the governor of the Bank of Canada was chosen because he is an expert at confusing people.

• (4:00 p.m.)

Mr. Chairman, in this regard, since we are speaking of confusion, I am not the one who claims that the present government, as did former governments, endeavours to muddle up our monetary system in order to annoy everyone.

I should like to quote a few lines of one of the best of our outstanding members of the press gallery, Amédée Gaudreault:

> When the high priest of our Canadian monetary system Mr. Louis Rasminsky comments publicly, two or three times a year, on the state of our Canadian economy, a goodly part of his statements savours of parables. Some people—who wrote the text—find it all very clear, while others, amongst the experts I have consulted, give hesitant and diverse interpretations of the thoughts of the governor of the Bank of Canada.
>
> Thus, Tuesday, before the Montreal Chamber of Commerce, did Mr. Rasminsky advocate or not credit restrictions? Speaking in French, he expressed himself with elegance, calling it, for instance a "policy of more selective credit". He stated that, since 1961, the Canadian money supply has increased steadily by 8 per cent annually, and that "in the last 12 months, it has increased even more rapidly than during the three preceding years."
>
> The speaker, however, recognized that it was impossible to control interest rates in the last year "including those in the field of mortgages", . . .

In not being able to control them, perhaps the parties concerned were following the advice of the minister who, when speaking of interest rates, earlier, said that the increase in those rates had promoted construction.

Mr. Chairman, I think statements of that sort are completely contradictory and can only further confuse the people.

I wonder what is the reason for those attempts to create confusion. They are probably meant to baffle the enemy, in this case the people.

Indeed, the people must not know that our national bank plays second fiddle while all publicity media are used to tell them that the Bank of Canada has absolute control. The country must not know, either, that under the present system, the more it produces, the more it increases the national debt. The people must not glimpse the possibility of a

[Mr. Gauthier.]

monetary reform, for this would be the end of the golden age of the trusts which feed our government leaders so well.

As long as a government elected by the people does not decide to undertake financial reform on a humanitarian level, we will always remain in the orbit of high finance without any hope of breaking free.

We maintain once again that in 1967 the people will be sacrificed to the financial circles because until now, no government has had the courage to bring the financial world to heel for the people's benefit.

We understand quite well why the minister and his supporters are acting this way; it is because they have been elected by the financiers to whom they owe a debt of gratitude for their political life.

Therefore, I address myself to all those who will read the *House of Commons Debates* to tell them that only the people, through their vote freely given, can bring about a radical change in this perpetual debt system and bring to light the true accounting practices of the country.

Since I am not an expert on the matter, although, for a number of years I have made an effort to try and distinguish right from wrong in that phony system, in that carefully set up myth, and so as not to be called conceited, I now want to take a few minutes to quote some statements from knowledgeable people who came and testified during the last review in 1954 and who all wondered, namely with regard to the Bank of Canada: What is the Bank of Canada? What should it be? And to get a clearer picture, you can read in the 1954 proceedings, the excerpts that I have chosen, in order to hear the experts, and to try and get out of those data a few ideas for change.

If we ask ourselves what is the Bank of Canada, we will find a disguised definition in the Act itself, where it says:

> Whereas it is desirable to establish a central bank in Canada to regulate credits and currency in the best interest of the economic life of the nation, etc.—

And that is how the people came to believe: Finally, a central bank, a bank for the people will control those private companies which are the chartered banks. The Canadian people believed that.

Imagine, for instance, that I own a company in which I control only 6.6 per cent of the shares; can I seriously pretend to exercise

an absolute control over that company? Unless words have lost their true meaning, you will answer me that it is absurd. However, that is what the the government would like us to believe as far as the Bank of Canada is concerned.

I do believe that honest practitioners would find it somewhat difficult to give a definition of the Bank of Canada, in order to emphasize the meaning sought by the financiers and their accomplices, the ministers of the crown.

Some compare it to a clock and Mr. Towers, a former governor of the Bank of Canada, stated, as recorded on page 32 of the 1956 committee report:

> The policy of the Bank of Canada can but influence the conditions, how could I put it? It may tend to make borrowing easier and less costly, or more difficult and more expensive.

Therefore, according to Mr. Towers, the Bank of Canada makes its control conditional upon indebtedness only. That is the very basis of our monetary system.

And it is precisely owing to that control over indebtedness that the Bank of Canada has unlimited powers to provide the chartered banks with the oportunity of getting into debt the whole country and its inhabitants. The Bank of Canada is therefore an indebtedness agency.

And, once more, I base my statement on what Mr. Towers said. As shown on page 138 of the same report, Mr. MacDonald asked him whether at the present time that power was curbed and Mr. Towers stated magnanimously that the resignation of the governor of the Bank of Canada would be the only curb.

But then what are the special powers of chartered banks? They will only have to maintain an average of 6.6 per cent of their deposits in the Bank of Canada during any month of the year. I stated that it was an average, because if the term seems to be unimportant in itself, practically it has some serious consequences.

In fact, I believe that it is not wrong to say that most of the time, the reserve of chartered banks will be lower than the average standards.

Can you imagine that? When chartered banks lend you $100 for example, they will only have $6.60 in the Bank of Canada. They create out of thin air, with the stroke of a pen, the amount of $93.40 which they do not have. But they will charge you 8 and even 9 per cent, since the ceiling has been abolished, on your $100 loan.

In brief, the $6.60 will produce $8 and $9 at the end of the year, and that with the help of the Bank of Canada.

No wonder foreign financiers own 80 per cent of Canada. Finally, if we persist in keeping such a ridiculous system, in ten years or less, financiers, owing to chartered banks, will own 100 per cent of this country. A striking proof of such progress may be found in the speech delivered on February 16, 1967, by the hon. member for Portneuf (Mr. Godin). Here is what he said, as can be seen on page 13124:

> True, the financiers are getting more and more prosperous but Canadians have never paid so many taxes.

Let us no longer try and persuade the public that our monetary system is the soundest of all on account of the presence of the Bank of Canada, the government's sentinel. Those who are not unduly impressed by the billions of dollars imposed by the old parties are becoming rapidly aware that this so-called sentinel is nothing but a dummy. A firm grasp of facts may be had by listening to the wishes expressed by hon. Mr. Macnaughton, former speaker of the House of Commons, at the time he was a member of the committee on banking and commerce, in 1954:

> Now and forever, I believe, it seems that if we succeeded in—

• (4:10 p.m.)

[*English*]

The Chairman: I must advise the hon. member that the time allotted to him has expired.

Mr. Patterson: Mr. Chairman, I appreciate the opportunity of taking part briefly in the debate this afternoon on Bill C-190, an act to amend the Bank of Canada Act. The points I wish to raise this afternoon do, or should fall within the jurisdiction of the Bank of Canada. First of all I would like to refer to the speech of my colleague, the hon. member for Okanagan-Revelstoke, who raised a number of pertinent questions on Friday and placed before the committee in a very capable manner some of the main issues that confront the country with regard to the Bank of Canada and its policy.

This afternoon I wish to mention, first of all, one of the matters which he raised, namely, the monetary policy of this country. I would also like to deal briefly with something which I believe should be considered as a function of the Bank of Canada, the provision

of adequate public capital to meet the need of governments at all levels to provide services to the people. Finally, I would like to refer to the national debt and the continuing cost of servicing our national debt.

First of all let me deal with the question of monetary policy. Sometimes it may be a little difficult to separate monetary policy from fiscal policy, but I call attention to a question and answer found in a booklet entitled "Money Facts". It was presented to the subcommittee on domestic finance of the committee on banking and currency of the House of Representatives, 88th congress, second session, on September 21, 1964. Question number 133 is: "What is monetary policy?" This is the answer:

> Monetary policy deals with the operating instructions of the managers of our money factory. Monetary policy is what fits money into the structure of the economy. In specific terms it consists of the decisions the money managers make about the quantity of money, the price of money, and the availability of money ... In the broadest sense, monetary policy can be thought of as manipulation of the money supply in the pursuit of broad economic goals.

I suggest that the term "manipulation" should be interpreted in the best possible light because I believe it can be very properly used in this connection. The answer I have quoted points out that in a broader sense monetary policy can be considered to be a manipulation of the money supply in the pursuit of broad economic goals. I think this emphasizes the importance of the consideration of monetary policy.

Many times we are concerned about other factors and other issues. In fact I received a letter yesterday from an individual calling attention to the fact that the committee, in much of its work, dealt with issues that were on the circumference of the problem and failed to take cognizance of and deal with the very heart and core of our monetary policy. Therefore I believe we should recognize the fact that monetary policy should be dealt with in a very specific and detailed manner because until we do so we are not going to find an adequate solution to the problems that confront us in our country. This points up the importance of monetary policy and that it should be attended to.

The body responsible for monetary policy has been questioned in times past. Some who have served as minister of finance in this country have indicated that the government is not responsible for monetary policy, that this matter should be left strictly to the Bank of Canada and to the governor of the Bank of Canada. We have seen the conflicts that have arisen because of this confusion. There have been times when it seemed as though government policy approved by parliament was moving in one direction while the policy of the Bank of Canada was trying to take us in another. I suggest that this is a completely unsatisfactory situation because there should be harmony between the policies adopted by the parliament and the policies that are carried out by the Bank of Canada. Therefore it is a matter of satisfaction to note that in the bill the clear statement is made that monetary policy must be carried out by the Minister of Finance and the Bank of Canada but that in case of conflict, directives may be issued by the minister and must be observed.

The government has established its jurisdiction but the main question is whether it is prepared to assume and discharge its responsibility or whether it will continue to follow monetary policies which in the past have failed to meet the requirements of our nation. A challenge is presented to the government because the government, having made clear that it is responsible for monetary policy, will have to take the responsibility if the results are not satisfactory. On the other hand, if the policies are effective and accomplish their desired objectives a measure of credit and approval will be given to the government which implements those policies.

I should like to deal also with the representations that we in the Social Credit party have made time and time again regarding the necessity for establishing as a branch or arm of the Bank of Canada what we have termed a municipal development bank. I notice that on various occasions it has been referred to in other terms but we appreciate the fact that sometimes it has been referred to as the municipal development bank. I do not think there is any need for us to argue the necessity for urgent consideration of the needs of municipalities in providing facilities which in turn will provide services to the people over whom they have jurisdiction. I refer particularly to such institutions as hospitals, schools and other municipal capital projects which are not profit-making ventures. They exist solely to provide services to the people. I believe, therefore, that they should be set apart from other projects and enterprises whose main objective is to make a profit, although services may be provided as well.

• (4:20 p.m.)

We recognize the fact that a number of attempts have been made to meet this situation in the past. First of all, the Municipal Improvements Assistance Act was passed in 1938. Unfortunately this piece of legislation was short-lived. In fact, in 1957 the late Mr. Irwin, who was a member of the Social Credit party, asked these questions as recorded on page 389 of *Hansard* for October 24, 1957:

1. Has section 8 of chapter 180, R.S. Canada, 1952, Municipal Improvements Assistance Act, 1938, been invoked?

2. If so, on what date?

3. How many applications have been received from municipalities under this act since 1940?

4. How many applications prior to 1940?

The answers to those questions were given by Hon. Donald M. Fleming, then minister of finance:

1. The power of the governor in council under section 8 of chapter 183, R.S. Canada, 1952, to fix and determine a date after which no loans should be made any municipality under the act, has not been invoked.

2. See answer to No. 1.

3. As loans were discontinued after December 31, 1940, no applications have since been entertained.

We note how short-lived this legislation was. The act was passed in 1938 but was discontinued after December 31, 1940.

4. 143 applications were received, of which 110 were approved for loans.

This simply shows that even back in 1938 some attempt was made to provide assistance to municipalities. As I have pointed out, it did not last very long. All the applications that were made were not approved. We find that later the Municipal Development and Loan Fund was established. I suppose it was established as the result of an election campaign promise. We were really expecting something wonderful to happen from the implementation of that promise. However, we discovered that the fund, rather than having as an objective the assistance of municipalities, was mainly to provide job opportunities. Nevertheless, some worth-while results were achieved and it was a matter of extreme regret on the part of the municipalities that this plan was discontinued. It could have coninued to fulfil very important functions and could have had tremendously beneficial results for the municipalities and the people. For some reason or other the government felt the plan should be discontinued and therefore this legislation as well was dropped.

In view of the fact that the municipalities are providing services to the people and facilities in the form of hospitals, schools and other projects, we had insisted they should have access to capital at the cost of administration or at very low interest rates. I do not believe any valid argument can be voiced against this proposition. Considerable amounts of money are lent to countries abroad, and we are not complaining about that. The government is lending millions and millions of dollars to other countries without interest. Yet we find our municipalities trying to keep up with the demands for educational and health facilities and having to go out and borrow money at fantastic rates of interest.

I do not believe this is right. I do not believe it is proper. I do not believe it is just. We submit to the Minister of Finance once again, therefore, that a branch of the Bank of Canada be established, call it a municipal development bank or whatever you like, that will provide money for these capital social projects at the cost of administration or, if there must be an interest rate, the interest should be turned back into the consolidated revenue fund. Capital must be provided in order that our municipalities will be able to keep pace with the increasing demand for these facilities in their areas.

I believe such a program would have beneficial results. If capital at cost or a reasonable interest rate were provided, it would save the taxpayers of this country a great deal. Instead of paying twice the value of the project in accumulated interest the municipalities would be able to double the facilities that are provided. If a building were going to cost $1 million rather than paying over $2 million for it on the basis of amortization over a period of years a municipality could provide two such institutions at the same cost. In addition, such a program would release private capital for national development.

I believe this would have a beneficial effect upon our economy as well. There is a great deal of talk about the lack of adequate capital for investment and development. I submit that if municipal and other governments were taken out of the borrowing field, much of this capital would be available for productive enterprises and for the further development of our country. I have the feeling that this would tend to reduce interest rates and the capital available would be more than adequate to meet the needs of our people.

There is one other matter with which I should like to deal briefly. I refer to the national debt. We do not worry too much about the national debt, I suppose, as long as we can keep the ship sailing and as long as the people receive fairly good services. I am sure that the government is not concerned at all about the national debt. I should like to refer to a document entitled, "In Growing Debt We Trust", which was prepared by Wilfrid C. Krug, Canada Building, Windsor, Ontario. I believe this gentleman is a business consultant. This statement is made about the national debt on page 9:

> The Canadian government has used its newly acquired power over money to create a fantastic unpayable interest-bearing debt and, in recent years, has refunded the debt at much higher interest rates and extended the maturity date up to 30 years making the debt a $900 million annual burden to the taxpayer.

Of course the amount would be higher than that now because this document was prepared in 1961. I continue with the article:

• (4:30 p.m.)

> This terrific debt and its impact on society is bound to stimulate fresh and deeper investigation and lead to a higher stage of organization in the realm of money. When the Canadian people once know, as a result of the revolutionary changes in monetary matters, that it is now unnecessary for the government to pay $900 million interest on its own credit, they will demand monetary reforms. Indeed, with the power over monetary matters which the government possesses, no government in a true democracy has any moral right to bind its people for one minute longer than it holds office. It has no moral right to impose its will on the future generation compelling it to pay 5½ per cent interest on non-callable bonds for the next 30 years.

The article then goes on with this statement:

> If the government financed needed deficits and retired its maturing debt through the central bank, this would bring us back to pre-world war I days when there was practically no government debt.

In his presentation Mr. Krug referred to an interest charge of $900 million on the national debt. According to the summary of the estimates which have just been tabled this afternoon I notice that the interest on the public debt amounts to $1,273,906,400. So the figure has increased from the $900 million referred to by Mr. Krug to over $1,273 million. And I suppose the end is not yet, Mr. Chairman, because we will continue to face this problem until parliament and this government act, and act decisively, to make some fundamental changes in monetary policy to meet the needs of the present day.

There is reference in this booklet to another proposal which has been put forward by Social Credit for quite a number of years, namely, the progressive transfer of our national debt to the Bank of Canada. I believe I have previously made reference to an advertisement in a newspaper on November 28, 1966 in regard to the issue of $500 million of non-callable government of Canada bonds. The advertisement stated that the Bank of Canada had already agreed to acquire a minimum of $35 million of these 5½ per cent bonds which are due January 15, 1968. I suggest that if the Bank of Canada can assume a few million dollars of our national debt it can certainly go further and assume all of our national debt through a progressive transfer.

If I may deal with one other aspect of this problem I should like to make reference to another statement by Mr. Krug in the booklet "In Growing Debt We Trust". On page 6 there is reference to the three methods of financing deficits. First of all, the government can print $1 billion worth of bonds and sell them to non-banking groups. Second, the government can borrow the money from the private banks. Third, the government can borrow the $1 billion from the Bank of Canada which is owned by the people. This method of financing does not create an interest burden because the profits of the Bank of Canada are turned over to the government.

I am not going to say anything further on the issues I have raised today, but I believe they are very important and bear repeating. First of all, there is the question of monetary policy. Second, we must consider the provision of capital to the level that governments need to take care of their social capital requirements. Third, we should take care of our national debt by transferring it to the Bank of Canada and liquidating it, thus saving the taxpayers over $1,273 million. I believe that the people of Canada would prefer to invest in the development of this country rather than in our national debt. If this policy were followed, Mr. Chairman, and our national debt transferred to the Bank of Canada and eliminated, then our people would invest in the development of our country and we would see tremendous advances right across the nation.

Mr. Nasserden: Mr. Chairman, the measure before us is a unique reminder of another parliament and of another prime minister, the late Right Hon. R. B. Bennett who, leading the government of his day, placed upon the statute books the Bank of Canada Act. The action that his government took was designed

to strengthen the hand of the federal government and its control over monetary policy within the nation. The result was to provide parliament with a new weapon to influence financial and economic conditions. That government, led by Calgary's most noted son, wanted to preserve the heritage and resources of Canada for Canadians. It wanted to make sure that the future of this country would not be left to chance or whim.

I recall the origin of that legislation. I recall how it was labelled by some as so much nonsense and heresy. That image has now largely faded, but today we are faced with a Prime Minister and a government which, by their actions during their term of office and by the deeds they have committed, have placed this nation in the economic jungle of an entirely new era.

One need only consider for a moment the economic conditions prevailing with the nation today to realize the ground that has been lost under the present administration led by the Prime Minister. One might well ask the question: Where has he led us? The answer to that question is written in privation, hardship and opportunity denied. Indeed, the monetary, fiscal and taxation policies of this government have led to the greatest period of labour unrest that this nation has ever witnessed. The result of these policies has been evidenced as well by the steadily increasing cost of production and the lack of that productivity which is essential to the welfare of all our people. Not only that, sir, but there has been increase after increase in the cost of living, increases taking place consecutively from month to month and year to year. Canadians now have the highest cost of living in the entire history of the nation. All Canadians have had to pay a fearful price because of the role played by this government. In addition, taxes have increased beyond anything visualized even a few years ago.

Why have these things occurred if not as a result of the callous, careless abandonment of sound economic policies on the part of the Prime Minister and his ministers opposite, who like to plead innocent? But events from day to day tell a different story. We have tight money in this country today, the highest interest rates in our history and the highest cost of living. The Minister of Finance smiles when these things are mentioned as tough they do not work hardship on the people of this country.

• (4:40 p.m.)

Mr. Sharp: Mr. Chairman, may I ask the hon. member whether he has noticed a very rapid drop in interest rates in the last few weeks or whether he is still thinking about the situation as it was some months ago?

Mr. Nasserden: Even today, in the House of Commons, one of the minister's colleagues in answer to a question intimated that the increase in the cost of C.M.H.C. loans brought about by the government was something to brag about. It is an indication of the attitude taken by hon. members opposite as they try to come to grips with the problems which face the economy today. I hesitate to believe that ministers opposite are so ignorant as to fail to realize the impact their policies have had upon our economy and upon the future prospects of this nation.

Incidentally, I hope the minister is not taking this too hard, but I see he has left the chamber. I thought he could take it better than that. But there are other ministers present and I say to them that Canadians will have to pay a colossal price for this carelessness. Future generations will pay and pay and pay because of the failure of the government to follow sound economic policies suitable for this day and age. This government, led by the Prime Minister, has set in motion a sinister, creeping phenomenon which could be described as a disease capable of weakening and eventually paralysing productivity in this nation. It might even threaten the identity of Canada itself.

Our industrial potential cannot help but be retarded and a large part of the Canadian heritage is bound to be lost for future generations. The government made decisions. The government set out on a deliberate course designed to bring about rising interest rates. It succeeded in those efforts. Despite what the Minister of Finance said a few moments ago, interest rates were never higher than they are today. The government opposite ignored the warnings of the opposition. It ignored warnings from its own ranks. It created a crisis with regard to housing in this country.

I say the blame for all this rests upon the shoulders of hon. gentlemen opposite. It is they who are responsible for the tight money situation which has bedevilled the housing picture from one end of Canada to the other. The Minister of Finance does not like to hear these things. I was about to say that he had left the chamber while I was discussing them in order to show his contempt.

Mr. Winters: He had other reasons.

Mr. Nasserden: Even though the minister does not like to hear these things, they are part of the heritage he is giving to Canadians, and the time which was consumed in the Liberal caucus in order to subdue the more enlightened members of that caucus in connection with interest rates has had a serious and inescapable effect on the money markets of our nation.

The opposition parties were ready to deal with these problems. But the Prime Minister wanted to point with pride to the pansies around him and declared that no division of opinion existed in his party. Canadians had to wait while this domestic quarrel within the Liberal caucus resolved itself. Thus it was that the economic situation in Canada worsened. Tight money and rising interest rates are part and parcel of the consequences of actions taken by the government. The government made a further decision which again was a delaying manoeuvre to cover up the cowardice of the administration in the field of consumer loan controls and legislation. Here again, the determination of priorities is revealed as one of the prime weaknesses of the government led by the present Prime Minister.

The Bank of Canada Act reminds us all that monetary control is the responsibility of the government, a responsibility which it cannot shirk if the best use is to to be made of the resources of our nation and if the greatest possible development is to take place. The hon. member who has lately resumed his seat expressed the opinion that the conditions which now prevail will continue to prevail and perhaps get even worse unless parliament acts and acts decisively. I say to him and to his group: Why does he not act decisively together with the other members of his party? Time and time again they have assisted a government that is guilty of the errors which have brought about high interest rates, tight money and rising living costs.

Mr. Patterson: May I ask the hon. member a question?

Mr. Nasserden: As soon as I have finished I will be glad to answer any question which the hon. member wishes to ask.

Some hon. Members: Oh, oh.

Mr. Nasserden: On the other hand, I would be glad to answer the question now.

Mr. Patterson: I was about to ask the hon. member whether he does not recall the time when the same group maintained in office a government of which he was a supporter. We supported that government in the interest of stability until the people had an opportunity of assessing the work which was being done and the people decided that his government was not doing the job.

Mr. Nasserden: I welcome that question. At that time, when he and his friends supported those who now comprise the official opposition, we did not have the high interest rates which prevail today. There was no tight money situation such as exists today. We did not face the high cost of living that we face today. We did not have a crisis on housing such as exists today.

Mr. Cashin: You just had unemployment.

Mr. Nasserden: The hon. member and the group he represents have given support to a government which perpetrated these crimes against the Canadian people.

Mr. Patterson: I should like to ask the hon. gentleman whether he remembers the time when this party voted for an amendment submitted by the official opposition, an amendment which, if carried, would have defeated the government because it was a vote on the budget. But so many of his hon. friends were out of the house that the amendment was defeated.

Mr. Nasserden: I do not remember anything of the sort.

Some hon. Members: Oh, oh.

Mr. Cashin: You were not here.

Mr. Nasserden: Everyone in this country knows that time and time again members of that party have looked across the chamber and counted the members to see whether or not the government would be defeated.

• (4:50 p.m.)

Mr. Patterson: That is not true.

Mr. Nasserden: Mr. Chairman, don't you think that reveals something in regard to the sincerity of these hon. gentlemen when they talk about the monetary policy of the government and the responsibility of parliament? How can parliament act decisively if a certain group in this house reneges on its responsibilities in the manner that it has done so many times during the last three years? People across the country have come to believe that the Social Credit party is even more liberal than the Liberals themselves, and it is

a sorry day for Canada when we consider that fact.

I had not expected to be drawn into this byplay this afternoon. I wanted to draw attention to the fact that the government's monetary policy has been lacking in that decisiveness and purpose which are so essential if this nation is to prosper and if the heritage to be handed down to future generations is to be what we would like it to be. I wanted to bring attention to those shortcomings of the government that we on this side of the house see and to express the hope that even now it is not too late for the ministers to mend some of their ways and change the course which they set out upon so carelessly and so wantonly ever since they first took office.

When we think of monetary and taxation policies and the double-barrelled effect they have on the economy, we cannot help but condemn the government in the strongest possible terms not only because of the things it did not do but because of the deliberate decisions it took which have resulted in the conditions I have described this afternoon. It is a noted fact that ministers have been warned time and again, not only by the opposition in parliament but by many great trade organizations across the country, by businessmen and business institutions, but they have turned a deaf ear to all pleas and have continued on their way carelessly, wantonly, irresponsibly, frittering away part of that heritage which should be the right of Canadians when one considers the tremendous wealth of our country and the tremendous opportunities that are ours.

Some hon. Members: Hear, hear.

Mr. Herridge: Mr. Chairman, I listened with great interest to the speech made by the hon. member for Fraser Valley and I must say that on this issue the hon. member for Fraser Valley and the hon. member for Kootenay West are two hearts that beat as one.

Mr. Korchinski: Lonely hearts.

Mr. Herridge: I take this opportunity to speak this afternoon because I want to take advantage of Social Credit principles. I know the hon. gentleman will send out hundreds of copies of today's *Hansard* in which my speech will be included, at no cost to me.

Mr. Knowles: On a debt free basis.

Mr. Herridge: Quite correct. This bill, Mr. Chairman, seems to include amendments that provide for the improved administration of the Bank of Canada. However, in my opinion it completely fails to get to the heart of the question, which is to give the Bank of Canada authority to provide the social capital required by the federal, provincial and municipal governments for the building of hospitals, universities, schools and other publicly owned projects about which we talk at such great length in this house.

I think clause 6 of the bill provides the major amendment to the Bank of Canada Act. The explanatory note says of it:

> This amendment defines the relationship between the government and the bank in regard to monetary policy. It makes clear that there is a process of continuous consultation between the government and the bank in this regard and provides a procedure whereby, in the event of a disagreement between the government and the bank, the government may issue a directive to the bank as to the monetary policy that it is to follow. The amendment also eliminates the power the governor now has to veto any action or decision of the board of directors or the executive committee.

The responsibility of the government for monetary policy having been established, that is why some of us at this end of the chamber are appealing to the Minister of Finance this afternoon to deal with the heart of the matter and provide for the issuing of funds by the Bank of Canada.

I was very disturbed the other evening to hear a report on television that we borrow approximately $900 million a year from United States sources, which credit is entirely based on their knowledge of our natural resources, industrial equipment, our capacity to produce, and our integrity and willingness to repay the loans in question. I speak with a great deal of conviction on this question because I am rather conservative in finance. I was brought up to waste not and want not, and never to buy anything unless I had the cash to pay for it. I believe that two and two make four in finance, and I believe this is one field in which we can establish that Canada is a sovereign state. All we are asking is that Canada become a sovereign nation by giving the Bank of Canada the right to issue the capital for the social investments I have mentioned.

It may interest the Minister of Finance to know that the provincial convention of the British Columbia Liberal party unanimously adopted a resolution in 1932 urging not only the issuance of currency and credit by the Bank of Canada but also the nationalization of the banks of Canada. That resolution was sponsored by the late Senator Gerry McGeeer and the late Right Hon. Ian McKenzie. I sat in

that convention beside those two gentlemen and they were very active in getting the resolution adopted, a resolution which was actually more radical by far than what we propose this afternoon.

During the provincial election of 1933 the late Senator McGeer published a pamphlet entitled, "The Conquest of Poverty Through the Reform of the Banking System," which was distributed wholesale in British Columbia. It urged the reform of the banking system and indicated that these were the views of the Liberal party at that time. This, Mr. Chairman, is a story which has been told repeatedly in this house in other parliaments and also in the legislatures. President Lincoln, during one of his campaigns, recognized the fact that governments are controlled by those people who have the right to issue money. Thomas Jefferson, who was the first Secretary of State of the United States, once said:

I was duped ... by Secretary of Treasury (Hamilton) and was made a tool for the forwarding of his schemes, not then sufficiently understood by me ... The issuing power should be taken from the banks and restored to the government to whom it rightfully belongs.

That is what we are arguing this afternoon. I remember that a former prime minister of Great Britain, Mr. Gladstone, also recognized this fact. I remember that on one occasion, Mr. Woodsworth, speaking in this house on February 22, 1934, as recorded at page 834 of *Hansard* for that date, had this to say:

I would urge today that the power of finance in Canada is almost supreme. I think I am not going too far to say that in practice it is greater than that of the government. In recent years some of us have been almost shocked when we learned that the army and the military clique in Japan had never been brought under the control of the parliament of that country. Well, I take it that in Canada the financial powers have never been brought under parliamentary control. Even as far back as the time of Mr. Gladstone I find that there was a dawning recognition of the tremendous power of the banks.

Reading from Morley's Life of Gladstone I find a statement from Mr. Gladstone:

"From the time I took office as Chancellor of the Exchequer I began to learn that the state held, in the face of the bank and the city, an essentially false position as to finance. The hinge of the whole situation was this: The government itself was not to be a substantive power in matters of finance, but was to leave the money power supreme and unquestioned. In the conditions of that situation I was reluctant to acquiesce, and I began to fight against it by financial self-assertion from the first ... I was tenaciously opposed by the governor and the deputy governor of the bank"—

• (5:00 p.m.)

That is the Bank of England.

—"who had seats in parliament, and I had the city for an antagonist on almost every occasion."

[Mr. Herridge.]

On the next page Mr. Woodsworth went on to say:

I submit, Mr. Speaker, that unless some body, either the newly appointed bank—

The Bank of Canada.

—or the government, itself exercises what is here termed sovereign authority, we are not going to secure the full control of credit, and are not going to be able to control price levels. I think that nothing short of that is going to help us in a material way to solve our present difficulties.

For many years in this house the late William Irving made speeches which clearly indicated the international control over the banking system of the world, largely by European and United States banks. On June 27, 1938, as found on page 4271 of *Hansard*, Mr. M. J. Coldwell made some comments during a discussion of a bill to amend the Bank of Canada Act. These quotations indicate that for years and years, according to Mr. Woodsworth's speeches and the speeches of other progressive members of this house, this party had advocated the very policy which has been advocated this afternoon. This is what Mr. Coldwell said:

This measure can be of great practical importance. It depends on how the new Bank of Canada functions and to what extent it is made an instrument of public policy. I should like to think that just as in Sweden, New Zealand and other countries where the central bank is under national ownership and control, the Bank of Canada will play an important part in preventing booms on the upswing and deflationary depressions on the downswing. I believe that a central bank publicly owned and properly operated can do much in these directions.

During Mr. Coldwell's speech Mr. R. Reid, who was the Liberal member for New Westminster at that time, expressed his endorsation of this principle. That was during the days when the Liberal party in British Columbia was all for nationalization of the banks. Mr. Coldwell went on to indicate how progressive members of this house had since 1924 urged the establishment of a nationally owned central bank which would be responsible for the issuing of money.

I also find that when speaking in this house on March 13, 1944, the present member for Winnipeg North Centre endorsed the same principle. At that time he was speaking about the social capital that would be required after the war was ended for the building of various public projects for the federal government, the provincial governments and the municipalities. This is what he had to say:

First, there is the fact that the bill gives the Industrial Development Bank—

The Industrial Development Bank, of course, is an agency of the Bank of Canada.

—or shall I say, the industrial development wicket of the Bank of Canada, no power of issue. To my way of thinking, as other hon. members who have spoken have pointed out, that is a serious shortcoming.

Secondly, I would point out that the amount of money to be provided under the terms of this bill for industrial development is hopelessly inadequate to meet the problem which it proposes to attack, namely, that of sufficient assistance in post-war production—to maintain a high level of economic activity, a high level of industrial production.

Since that time members of this party have continually supported this principle and have urged the government to take action along these lines. I will summarize my remarks. I approve of the remarks made by the hon. member for Fraser Valley. I will not repeat some of the material he presented to the house during his excellent speech. I do not always call his speeches excellent but this time I quite agree with every word he said.

If the Bank of Canada is given the right to issue the capital required for social investment by federal, provincial or municipal governments, if the Industrial Development Bank is given the same right through the Bank of Canada for the provision of capital for smaller industries, if the private banks of Canada continue to fill the short-term financial needs of corporations, companies and individuals and if, underlying that, the credit unions provide the capital for investment in consumer goods, in my opinion we will have established the sovereign right of Canadians to control their social capital requirements. We will have established Canada definitely as a sovereign state, we will have established the value of our resources, industrial and other developments, and we will have provided a sound credit foundation for the purchase of consumer goods.

In my opinion, if we could get the minister to agree to the policies expressed this afternoon, we would have a sound banking system. I know the minister is an honourable gentleman and as I look at him it seems to me that he is almost persuaded by the remarks made by speakers this afternoon. I had intended to say more at this time, but obviously there is no necessity. In concluding my brief remarks on this subject I should like to ask the minister to tell us why the Bank of Canada and the Industrial Development Bank cannot be banks of issue to provide the social development capital which is necessary for public projects in this country for federal, provincial and municipal governments. Before this debate terminates I should like the minister to give his opinion in respect of the representations which have been made to him this afternoon, because we believe this is the basis which will enable us to place our financial system in this country on a sound footing, provide for the development of hospitals, schools, roads, universities, and even provide the minister with an opportunity to pay to Premier Bennett of British Columbia the $100 million he is seeking to make up for the deficit in the building of the dams on the Columbia river.

• (5:10 p.m.)

[*Translation*]

Mr. Latulippe: Mr. Chairman, I am pleased to say a few words this afternoon on the banking system, the Bank of Canada, its aims, its principles, its achievements and the prerogatives it should make use of.

The Bank of Canada is only playing half its role. The Minister of Finance and Receiver General (Mr. Sharp) and most hon. members do absolutely nothing and let things drift, they do not want to straighten out the abnormal economic situation which now prevails throughout the country.

The Bank of Canada Act is the greatest piece of legislation, one concerning which the highest authorities must make use of their powers. The Bank of Canada does not play its part and nobody in the house is concerned about it, except the hon. member for Kootenay West (Mr. Herridge), whom I wish to congratulate, and the hon. member for Fraser Valley (Mr. Patterson) and also those who understand the meaning and the duties of a national bank. And now, Mr. Chairman, this is the point I want to make.

We can see very few members in the house. In fact, we are talking before empty seats whereas the legislation in question has indescribable importance.

The house is ready to let everything go. as in the past. Private institutions have been entrusted with such controls and sovereignty as belong to the state. The sovereignty that should rest with the Minister of Finance was given to private establishments, and people do not give a tinker's dam.

When the Minister of Finance needs money to conduct the nation's business, he has to go on bended knees to the private finance companies to whom we have surrendered our sovereignty. Such is the responsibility of every member of this house.

We would have a great deal to say. We could speak for hours on end about the improvements which could be made in the Bank of Canada. But some Canadians elected by the people and answerable to them do not care at all about the population. As a matter of fact, they submit to a few financiers who control the finances of our country at the expense of the people. That is the point I am trying to make.

Mr. Chairman, I should like to define the nature of the Bank of Canada and its responsibilities; I want to bare all this before parliament, before the Canadian people and members of this house who seem more or less interested in dealing with the most urgent problems facing a country.

Mr. Chairman, the Bank of Canada was established under the act of 1934 by the Canadian parliament, with a view to controlling credit and currency in the best interests of the Canadian economy. That is not what it is doing. That is not the responsibility entrusted to the Minister of Finance and Receiver General. He is not the one to carry out the responsibility which is supposed to be his and this parliament, which is nevertheless sovereign, does not entrust him with it.

Members of parliament are shirking their responsibilities. Now, I am telling you, before this parliament, before this house, before the French Canadian nation, that one of these days they will have to assume them. That is why they were elected. Again I say that this is one of the greatest responsibilities they have to exercise in this parliament, yet they refuse to do so.

What I am saying is very important, because I am speaking of the very purpose for which the Bank of Canada was created.

Can the minister define money, credit, the economic life, the nation? Four words: credit, money, economic life and nation. Four words to remember when discussing the Bank of Canada Act and the chartered banks and near banks act.

We have asked a lot of questions to the finance, trade and economic affairs committee, but 99 per cent of the answers given were evasive and were not directly related to the questions asked. They are afraid to tell the nation the facts; they do not want the Canadian people to know the financial situation; they do not want to come out and say what are the rules behind this financial system; they do not want to explain to the people what is finance, what is wrong with the economic system and the things which should be rectified in this system.

The Minister of Finance himself may be afraid to answer. As a matter of fact, in answering questions, he beats around the bush as much as he can. I have heard him in the committee, Mr. Chairman.

What is a nation? A definition can be given. The Bank of Canada is responsible to the nation. All corporations, whether banking, industrial or commercial, financial or agricultural, religious, university or college, municipal, provincial or federal, all are responsible to the nation.

These bodies have a right to live, not only to incur debts, to tax the people, imposing tax upon tax until the situation is untenable. These bodies have the right to live, and each individual also has the right to live.

One must mingle with all the different classes of society in order to see that our society is badly organized, and that the extremities of our economic body are diseased because the bloodstream of our economic structure does not reach all the limbs. And therein lies our duty: to see to it that the bloodstream of our economic structure reaches all spheres of society and all areas of the economy. The blood pumped by the economic body which is the Bank of Canada must reach all the limbs of our society, so that the Canadians may live adequately and honourably in a country overflowing with riches. But we are evading our responsibilities.

Is not the nation made up of all the human beings in the country? What do people across the world mean when they speak of Canada, Mr. Chairman? Do they mean its population or the land itself, its natural resources or its inhabitants? Private and public institutions succeed each other. Are they not merely the instruments of administration, of production of goods and services, of material or intellectual assets or possessions belonging to the individuals who make up the nation?

Are not money and credit instruments of exchange, of trade, serving economic life and representing the value of the goods and services exchanged between the individuals of whom the nation is composed?

If we started by assessing the situation, the words we use when considering and discussing our legislative reforms, we might have a better chance to arrive at more encouraging, more positive and progressive results.

Why not determine exactly what currency is, so that we might know where we are going with that. What is credit? Why not issue some? And why not create currency, which is so necessary to the economic life of the country, which has the power to create and manage credit? It is the duty of the Minister of Finance and of the hon. members to place the currency in the hands of institutions which need it to develop the country.

Let us say that, at a certain moment in our economic life, we put $5,000 in circulation. Those $5,000 constitute Canadian currency, if they are deposited in the branch of a chartered bank. But, they are no longer Canadian currency if they are put in the branch of a trust company or a credit union. They are not Canadian currency any more. A loan of money made by a chartered bank represents a tax increase on Canadian currency, on the whole economic life of the nation. A loan of money granted by a Caisse populaire or by a finance company represents only a transfer of funds between two corporations.

• (5:20 p.m.)

Everything is so thoroughly mixed up, confused and complicated that the economists and the bankers themselves no longer understand anything at all. They no longer will take the risk of defining the words: money, credit, nation, Canadian currency, money supply, total money or credit supply in Canada. Questions were asked in committee and the Minister of Finance and all the members of the committee know that questions were asked to find out the nature of money, of currency in circulation, what constitutes the money supply and so forth.

If one is to understand the monetary system well, one must understand that. And it is so complicated a matter that it is almost incomprehensible.

First of all, there is what university scholars call small coinage: cents, nickels, dimes, quarters and fifty-cent pieces. That is the metal money of which, all told, there is almost $300 milion worth in circulation across Canada. Then we have the Bank of Canada notes in denominations of one, two, five, ten, twenty, fifty, one hundred and one thousand dollar bills. They bear the signature of the governor of the Bank of Canada. They represent approximately $2,700 million.

There, then, is all the visible money in Canada: $300 million in metal coins and $2,700 millions in notes, for a grand total of $3 billion in legal money issued by the Bank of Canada in circulation throughout Canada. Now, when we speak of the Canadian money in circulation, we claim it amounts to $21 billion. Where do those $18 billion come from. I put that question to the Minister of Finance. In addition to the $3 billion in real, metal and paper money. This is where scholars and economists start mumbling and each of them has a different story.

Who, then, created the $18 billion of Canadian money supply, if we have, in fact, only $3 billion in money coined by the government and supplied by the Bank of Canada? There again, economists mumble, and to realize it, you only have to re-read the many excerpts of their official evidence given before the committee on finance, trade and economic affairs, as recorded in some 20 reports of proceedings distributed to each member and each minister.

The Bank of Canada has been in operation for 30 years. It is time to put some order in our monetary system. They do not yet know what is credit, what is the money supply, what is Canadian money or who prints the $18 billion in excess of the $3 billion that can be seen.

I am not saying that does not make sense, I am only saying that we do not know what we should know. Why is the money deposited with a trust company, a finance company or a credit union not included in the money supply? That is another mystery that could not be solved in committee. Evasive answers only were given. And yet, we were there to enlighten the people, to put before them the results of the monetary systems as they are. And such information was denied us.

Therefore what is the purpose of the Bank of Canada? Why do the banks have the power to create billions of dollars worth of deposits on bills or bonds? Why does not the government give them the power at least to create enough so that our provinces and all our public institutions would not have to go to foreign countries to get funds?

That is the important matter that should be examined and that I would like you to see and settle it once and for all.

Take for instance companies, municipalities or provinces. Why are those guarantees sufficient when foreigners lend us money on our own credit? Why are those credits good for securing foreign currency? Why are they not good enough to enable the government to capitalize sufficiently, with these same credits, to finance those same agencies?

This is a big question that was never understood, that neither the Grits nor the Tories ever accepted to settle in this parliament. No one in this parliament ever accepted to settle or to attempt to solve this matter. Some day it will have to be dealt with.

This maze of credit money, financing, and company shares gives rise to a lot of questions. There are so many weird intricacies about the various kinds of reserves, with different rates. with reserve bases being used as guarantees for all sorts of savings, with various basic rates for reserves to insure the circulation of currency, of chartered banks accounting system.

And this mystery will still remain, in spite of all the efforts of a few honest members to obtain some explanations on those basic matters of our economic life, on our monetary and financial systems, on our system of currency and credit, on our banking, business and government systems; on our system of currency and credit, share capital and bonds; on our system of taxation and cheque circulation; on our system of income, expenditure and profits among individuals, families, companies and institutions.

This could be quite simple, if we took the trouble, Mr. Chairman. The matter would be quickly settled once it had been decided to administer the Canadian nation for the benefit of its people, of 20,400,000 human beings, rather than for a few institutions or corporations which control the economy of Canada, because they have been granted the right to exercise such control.

So we must add that one of the objectives of the Bank of Canada is to look after the question of money, credit and even capital, in the best interests of our economic life. The bank will have to see to it that it will never be necessary, from now on, for the provinces and municipalities to go to foreign countries to borrow, by way of issuing bonds at a high interest rate and on a long-term basis, to finance Canadian institutions.

The Bank of Canada, on the guarantee of our natural resources and Canadian labour, should be able to facilitate all issues of capital in the form of bonds that foreign banks are willing to issue on any kind of guarantee.

If we were looking after our own business, we would be able to guarantee all those goods and services the population needs so badly and we could thus remain masters in our own home, without giving up everything to strangers.

[Mr. Latulippe.]

Why should Canada not be in a position to produce its own capital, as it is capable of producing its goods, especially as far as municipal and provincial services are concerned? The Bank of Canada should issue all the money needed for the progressive administration of our municipalities, provinces and school boards.

• (5:30 p.m.)

There is no need, Mr. Chairman, to go to New York, Paris or elsewhere in order to create new bonds guaranteed by our resources and our people capable of producing and of paying taxes for the repayment and interests or administration costs.

Such is the aim, Mr. Chairman, of a resolution I shall move in due time before this Parliament, with the support of a colleague.

Thus, the Bank of Canada will finance provinces and municipalities and it will be a right and an obligation on the part of chartered banks to finance individuals and private enterprise, according to the present system.

We do not intend to deprive the chartered banks of any of the existing methods, but the duty of the existing chartered banks lies in the financing of private enterprise. On the other hand, it is up to the state, to the government, in brief to the hon. members to see to it that the Bank of Canada should finance other people's property. In so doing we would be improving the lot of the Canadian nation.

I already said, Mr. Chairman, and I repeat it, that it is not power we are seeking, but monetary reforms. We know that the few people who have at least had the benefit of catching a glimpse of our financial system, who have some idea of what the Bank of Canada stands for and of what it can do for people and for this nation, are calling upon the Bank of Canada to act are demanding a reform of our statutes, are asking for the necessary amendments so that the Bank of Canada may regain control of its money and its credit in order to finance all our public institutions as well as the future ones which will have to be developed.

If the Canadian people are able to produce, the Minister of Finance, with parliament's permission, is certainly able to take steps to finance the present production, even the future production of this country. We are certainly able, Mr. Chairman, to eliminate in a few years the dreadful public debt that is crushing the people and obligating a nation to pay ever increasing taxes which they find revolting. Mr. Chairman, it is those taxes that the people find sickening.

In fact, one needs only to look at what is happening to see how much the people are disgusted.

If, across Canada, there are so many endless strikes—one strike follows another and one is not settled that ten others break out—this is due to dissatisfaction. Nobody tries to solve the economic problem.

Mr. Chairman, at each federal-provincial conference it seems that the provincial premiers claim as strongly as possible money from the Minister of Finance, as well as action; in brief, they are asking for the necessary capital to finance their respective provinces. However, no one demands monetary reform, because this is not deemed proper. If the Minister of Finance has not taken such steps it is because, to his mind, it is better to maintain the status quo, to let the debt go on snowballing and Canada getting poorer and poorer. As Canadians develop their country, we allow those institutions to enter to their credit the assets of the citizens, that is the assets of the country and put the country and its population on the liability side. Here are responsibilities we have not been able to assume.

Monetary capital is only the expression of the economic capital itself. Money and credit are only words meaning goods and services that citizens barter. Why should we lack tokens and symbols, when we possess in fact plenty of goods?

Why should we reach the acme of ignorance and ignominy and ask other countries for the authority to create in our stead the capital we require? Yet, such is the current situation. The Minister of Finance may find this funny but it will not be quite as funny, when the revolution is here and he is asked whether he has taken his responsibilities.

If our country has reached its centennial, hence its majority, and if it now has a literate population of over 20 million, there is no valid reason for us to remain dependent on neighbouring or far-off countries simply to create our monetary capital. Mr. Chairman, we have our accountants, our bankers, our Canadian ministers, in short, our own parliament, who are capable of determining the economic, monetary or administrative symbols of all the private or public wealth our country is capable of producing. Are Canadians unable to produce, Mr. Chairman, in pursuing their daily tasks, whether they are material, intellectual, spiritual, or if you prefer, cultural activities? Is the government unable to control the Canadian economy, so that each citizen can normally enjoy a pleasant life and a reasonable standard of living which the country can afford?

One can hardly say, Mr. Chairman, that there is a lack of production in Canada. It will reach $62 billion in 1967. Perhaps $38 or $39 billion worth of goods will be sold, but $20 odd billion worth of goods will remain in warehouses and on shelves, unsold, because available means will not have been taken, because the government will not bring about the necessary reforms in the Bank of Canada, because they do not want to take the necessary steps so that the Bank of Canada can distribute the goods and services that the people of Canada are asking for, goods and services which have been produced to meet the needs of the Canadian people. I think it is a crime that goods should be allowed to remain like this in warehouses. I think it is also a crime that some people should be jobless and drawing social welfare allowances and unemployment insurance benefits which, in fact, are paid at the expense of the working man.

To give to the unemployed, the working man is robbed, and it is a crime, Mr. Chairman, to tolerate such a state of affairs in a country where the economic situation could be adjusted so easily.

I could go on and point out many other things, Mr. Chairman, but I will close with these few words.

The role which a central bank should play inside and outside Canada, Mr. Chairman, is this.

If the Bank of Canada fulfilled its duty, if it discharged its responsibilities, we would not be ashamed, humiliated and accordingly burdened with a drop of our Canadian dollar below its par value of 100 cents per dollar. We would not be faced with 7 and 8 cents cuts such as we witness today.

Let the Bank of Canada play its part fully, concerning foreign countries, private banks, the federal government and the provincial government; then, no more will be asked, everyone will be satisfied and the private banks will find it easier to play their own part, according to the economic needs of private individuals and private institutions.

Mr. Chairman, the Bank of Canada is 33 years old. For 33 years it experimented, searching for balance, for its own purpose in the changing pattern of economic life in Canada among the nations of the world.

It is a positive role that the Bank of Canada will be called upon to play in the future, within as well as outside Canada.

Therefore, we must take advantage of this decennial revision of the Bank Act, the act concerning the near banks and the act of the Bank of Canada, because upon them revolves the whole economic life of the nation and that of all the Canadian institutions as well as the economic life of each and every one of its 20,400,000 citizens in the 4,800,000 families or homes in Canada.

• (5:40 p.m.)

Mr. Chairman, in Canada there are 20,400,000 people or 4,800,000 families consisting of two or several people. There are 400,000 institutions of all kinds of which 80,000 limited companies, 800 large companies or corporations which are listed on the stock exchange, eight chartered banks—we shall have ten in a short while—and only one Bank of Canada which must control and reduce the credit of the nation, which must give—

The Acting Chairman (Mr. Richard): Order, please. I am sorry to interrupt the hon. member but his time is expired. I recognize now the hon. member for Lapointe.

Mr. Grégoire: Mr. Chairman, today we are studying amendments to the Bank of Canada Act.

The Bank of Canada might be called the brain that directs the whole economy in this country, that should direct the monetary resources toward all areas across the country, at all levels of activity, and see to it, from an economic standpoint, that the country may expand and progress. Is this the case today?

Mr. Chairman, whenever we consider the changes to be made to the Bank of Canada—the computer of our economy as a whole and of its development—the first question that comes to mind is how those in charge of our monetary system look at its management and orientation. Knowing that when all is said and done, it is the Minister of Finance (Mr. Sharp) who—and the more so under the new legislation—controls our monetary system in general, that he can give orders to the governor of the Bank of Canada and thus influence our economy, we wonder how the Minister of Finance reacts or thinks in relation to our monetary system.

As recorded in the Minutes of Proceedings and Evidence of the committee on finance, trade and economic affairs, page 2998, I directed to the Minister of Finance the following question:

[Mr. Latulippe.]

If you have authority over the volume of money supply, on what do you base your decisions to set the money supply at a given level?

Please note the importance of the question, Mr. Chairman, since I had earlier asked the minister who had authority over the volume of money supply, that is, how much money there should be in circulation in Canada. Well, since it is the minister who has the authority to decide how much money will be put in circulation in Canada, I asked him:

—on what do you base your decisions to set the money supply at a given level?

And what did the minister answer? Something out of this world. Mr. Chairman, the hon. members of this house should be overwhelmed with admiration at the minister's guilelessness, because his answer was really out of this world. As a matter of fact, this is what he replied, as recorded in the Minutes of Proceedings and Evidence of the committee on finance, trade and economic affairs, on page 2998:

When a Governor of the Bank of England, Lord Norman, was once asked that question by J. M. Keynes, he said:

"I do it by feel and flair."

Indeed. So, I asked the Minister of Finance the following question:

—on what do you base your decisions to set the money supply at a given level?

I say to the Minister of Finance: You are responsible for determining how much money will be put in circulation in Canada, and the minister agrees to that. And then, I asked him:

On what do you base your decisions to set the money supply at a given level?

And in reply the minister quotes the answer given by Lord Norman, Governor of the Bank of England:

"I do it by feel and flair."

If I have any feeling of love for my fellow citizens, I will see to it that a greater money supply is put in circulation so that they will be able to buy what is being produced.

That is one feeling. Therefore, if he gets up in bad humour one morning, with a feeling of hatred, for even the hon. Minister of Finance and Receiver General may have different moods, according to his feelings, well, he will withdraw the money from circulation to create hardship for his fellow citizens, and this according to his feelings. Such feelings may be of varying degrees.

But according to his feelings the minister decides how much money will be put in circulation in Canada. The minister also says "by flair". So then we must have a minister with flair.

I should like to know how the right hon. prime minister proceeds when he has to appoint a Minister of Finance. What kind of tests must the hon. minister undergo in order to prove whether he has flair or not? For the money supply in circulation in Canada increases according to the minister's flair, whether he is keen-scented or not.

The minister admitted that himself; I am coming back to the question I asked him on page 2998 of the Minutes of Proceedings and Evidence No. 43 of the standing committee on finance, trade and economic affairs:

—on what do you base your decisions to set the money supply at a given level?

Here is what the hon. minister answered:

When a Governor of the Bank of England, Lord Norman, was once asked that question by J. M. Keynes, he said:

"I do it by feel and flair".

The minister said that, not I. One must have flair, be shrewd, be far-seeing, in order to decide how much money will circulate in Canada.

Industries may produce, but that is of no account, it is not the minister's flair. Numerous workers may be working, that is of no account, it is the feeling of the minister that counts. In March or in April, when flowers begin to bloom, feelings are better then, so the money supply is being increased. Comes autumn and the yellowing of grass and the money supply is decreased because all that may influence the feelings of the Minister of Finance. That scientists and technicians find new production methods is not important. It is the flair of the minister that counts. His flair.

Mr. Chairman, where can we go with our monetary system if our Minister of Finance has decided to rely on his flair and feel?

An hon. Member: What if he has no flair?

Mr. Grégoire: Somebody is asking me: what if he has no flair? Well, if he has no flair, we will sail on the rough waters of our economic system like a rudderless ship.

Mr. Chairman, the answer given by the Minister of Finance shows that our economic system has no scientific basis, as it should. Instead, it is based on chance, on flair, on feel. It has no scientific basis and its only purpose is nothing less than to satisfy the hunger for profits of a group of big bankers who become richer because they know that the Minister of Finance, the present incumbent or the others, has no flair or feel. This is the reason why our economic system is drifting along because our system is unscientific, unrealistic and does not take into account the technological development and progress but relies on the minister's insight and feelings.

• (5:50 p.m.)

Mr. Chairman, you will agree that something must be done about it. Do you think that the Minister of Finance (Mr. Sharp) is the only one to have such opinions?

I should like to quote, in the first place, another answer of the Minister of Finance when I asked him insistently as shown on page 2999 of the same booklet and I quote:

Mr. Sharp, I am not talking about a budget which is a forecast of what is to come, but I am talking about the volume of money. I wonder if you take into consideration when you make your forecast the actual situation in Canada; I mean the total goods and services available which is, in fact, what is behind the money supply. Does it become a question of judgment or a question of statistics?

Then, the Minister of Finance replied:

Every time the Bank of Canada operates in the money market in its day to day transactions, it is having to make a judgment not only about the quantity of money and credit available now, but it has to make a judgment on whether the existing situation is going to be sufficiently encouraging or discouraging, as the case may be,—

Again, the point in case is simply chance, Mr. Chairman,

—to influence the course of events in the future.

After all, the most important decisions that are made affecting the volume of business and the level of employment, are the decisions that are made in the business sector as to the volume of capital investment.

And the Minister of Finance completed his reply as follows:

Each of these considerations has to be taken into account in every decision which is made either in the monetary field or in the fiscal field. I only wish, Mr. Grégoire, that I had a computer that could take all these factors into account and then could come out with an answer, not only about the present but about the future. I can guarantee you that the Minister of Finance would stay in power forever and whatever government he belonged to could go to the people with an unblemished record.

The Minister of Finance tells us that if he had a computer, he would no longer have to go by flair and take his feelings into account. He could use scientific data, accumulate them in the computer and receive an answer on

present and future measures which would enable him to report to the people with an impeccable file.

For my part, I say to the minister that if he needs a computer, an electronic machine to complement or at least replace his feelings, this flair, I am willing to move an amendment to this Bank Act to allow him to buy an electronic computer to which he can then feed the required scientific data to obtain an adequate reply. It would be well worth it, because as things now stand, he says he follows his feelings and relies on his flair. With a computer he could go about it scientifically.

Mr. Chairman, I believe it would be worth it. I feel it may even be imperative that the Minister of Finance get a computer. Our economy can then be based not on haphazard or sentimental data, but on scientific data.

Mr. Chairman, on study of Section 1 of the bill to amend the Bank of Canada Act, I should like to limit myself to general considerations and reserve specific remarks for the detailed study section by section.

I asked the minister another question—

[*English*]

Mr. Sharp: Might I pose one first, Mr. Chairman? Might I ask whether the hon. member for Lapointe would comment upon the statement I made during our very interesting exchange in the committee when I said that Social Credit, if I may say so, seemed to me a sophisticated form of inflationary finance put forward most skilfully by people like the hon. member for Lapointe?

[*Translation*]

Mr. Grégoire: Mr. Chairman, I consider that interjection as a compliment, since the minister mentioned our ability in putting forward our doctrines, but it did not really require much ability, so simple it was to show and prove that the manner in which the Minister of Finance judges and appraises a monetary system is not normal.

When the minister tells us that he lets his feeling govern his actions, one does not have to be very smart to prove that it is not the right method of appraising the economic and monetary system.

On the other hand, when the minister says that he needs a computer, that is much more important. I feel one should be made available to the minister and it does not require much ability either to have everybody agree on that point, since the minister says he needs a computer in order to establish the monetary system on a scientific basis rather than on an emotional basis.

Well, Mr. Chairman—

Mr. Chrétien: If you will read out the whole sentence in which he referred to feel and flair, I think he concluded by saying that it was judgment. And this is not what the hon. member is showing at the present time.

Mr. Grégoire: Mr. Chairman, it would be necessary then, if there is a mistake in the report or in the Minutes of Proceedings and Evidence—

Mr. Chrétien: Read further after "flair". You will see that he refers to judgment.

Mr. Grégoire: I will read out the sentence once more and if there is a mistake in it, well, the minister can tell us and we will correct it. And I quote, from page 2998, Mr. Sharp's sentence:

> When a Governor of the Bank of England, Lord Norman, was once asked that question by J. M. Keynes, he said, "I do it by feel and flair" and I do think that to some extent that it remains a question of judgment.

And I read further on in the same paragraph:

> There is no mathematical formula by which the money supply can be regulated.

No mathematical formula. And he quotes Lord Norman, who says: "I do it by feel and flair", but the Minister of Finance is not sure. He only thinks—"I do think"—that to some extent, but no more than to some extent, it remains a question of judgment. But only up to a point and no more, while the governor of the Bank of England says totally and completely by feel and flair.

The question of judgment is only to some extent, it is not certain—"I do think"—but only to some extent. And this supports what I was saying a while ago, that is that the minister operates by feel and flair. And if he needs a computer, we are ready to vote one to the Department of Finance, so that we may have a scientific monetary system instead of a sentimental monetary system such as we now have.

I shall resume my remarks which were interrupted by the brilliant parliamentary secretary of the Minister of Finance (Mr. Chrétien). When I see the Minister of Finance applauding, I wonder why he is applauding. Is it because his parliamentary secretary must have appealed to his feelings also? Because I

think there can be two teams: one for the feelings and another for the flair.

Mr. Chairman, I asked another question of the Minister of Finance:

> Mr. Sharp, I am not asking you questions about the future. We will discuss this afterwards. I am asking you questions about the after-effects of the reports. Do you feel that actually in Canada the money supply is sufficient for the expansion of Canada? Answer: Shall I put it this way? I believe that during the term I have been in office the money supply has been sometimes more than adequate for the purpose. I have not—

And it is the Minister of Finance who is speaking:

> —not been concerned about a deficiency of money and credit. Maybe in the future I will be, but up until now I have not been.

Then, Mr. Chairman, the Minister of Labour rose and said: We have no money to build houses. The Minister of Finance answered him: I have never been concerned as yet, by the lack of money. Well, people are not building houses, but it is not for want of money, because this has never been of any concern to him.

• (6:00 p.m.)

The provincial governments must borrow. They have to borrow from the United States, but the Minister of Finance is not concerned with the lack of money, of course. Of course not. The 11 per cent sales tax on building materials will be raised to 12 per cent; he imposed a tax of 11 per cent, which climbed to 12 per cent, but he is not concerned about a lack of money. I must admit here that I had not entirely grasped the minister's answer when he said that he was not at all concerned about a lack of money because I was so flabbergasted.

There is unemployment in Canada. People are deprived of the necessities of life, housing is slowing down, everyone has to borrow in order to buy, or to buy on finance, but the minister is not concerned about a lack of money. Not at all. I was so surprised that I asked the minister to repeat his answer. He had not been concerned about what? And he replied:

> I have not been concerned about a deficiency of money and credit. I may be concerned about that in the future but during my year or so in office I have not been concerned about that problem.

Not concerned about the lack of money. I see members from all parts of the country. Go to your ridings and tell the people that there is no problem, that the Minister of Finance is not concerned about the lack of money.

There are hon. members from Quebec here. Quebec says: We do not have enough money to develop adequately our education system. And Quebec is asking for more fiscal revenue. Quebec says to Ottawa: Give us back our fiscal revenue. Then the Minister of Finance says: We cannot do that.

But when the time comes to study the Bank of Canada Act, he says:

> I am not concerned about a deficiency of money.

That, Mr. Chairman, should be sent in writing to all provincial ministers of finance who should all come to Ottawa next week to tell him: You are not concerned about a deficiency of money, therefore give us back the fiscal resources, give us back the taxes. If you do not need any money, we do. And the provincial governments tell the Minister of Finance that they are concerned about a need for money to build roads, schools, hospitals, to carry out public works and develop natural resources.

You, members of this house, go and ask municipalities whether they are concerned about the lack of money and tell them: There is no problem, because the Minister of Finance said that he was not concerned about a deficiency of money. Perhaps in the future, but at present, there is no lack of money. Go and tell that to your school boards, your municipalities, your constituents. What will they say about the Minister of Finance? And the unemployed, what will they say about him?

Mr. Chrétien: In all fairness, the hon. member might read the other paragraph of the answer.

Mr. Grégoire: I can read the whole proceedings, if you like. What I quoted was the first answer of the minister. I asked him to repeat it, and he said:

> I have not been concerned about a deficiency of money and credit. I may be concerned about that in the future but during my year or so in office, I have not been concerned about that problem.

That is all he said then, that is the end of his answer.

Mr. Chrétien: But read what he said in reply to the next question.

Mr. Grégoire: I shall now refer to another question. But do not say that I did not quote his whole answer, because I quoted it completely. When the minister had finished, I put a further question to him. Be honest.

> And to what do you compare your satisfaction? Is it to actual production of Canada, the actual goods produced in Canada?

And the Minister of Finance answered:

It is the pressure upon our resources which arises from demands upon them.

Notice that, it is delightful. I am glad that he does not lack for money, because the demand on our monetary resources is heavy.

In other words, I have felt that economy required, for stability, some restraint—

Delightful. If you want to stabilize the economy, you place restraint on it. The population is increasing, our scientists find new techniques of production, so the economy has to be developed. Therefore let us stop trying to stabilize and let us take steps to expand for a while. But, no, the economy must be stablized.

You know what a stable man is? When he stands up, push him, you will make him fall. When he sits down, push him, you will make him fall; when he is on his knees, push him, you will make him fall; but when he lies down on the ground, whether you push him or not, he will not fall anymore, he is stable. As for you, you want to stabilize the economy, to curb it by "a few restrictions". And he continues:

—otherwise governments and private industries and consumers were going to demand more than could be physically produced at the time.

Obviously, the money supply should not be increased to the point of exceeding production. But this is not the case in the field of housing, and the Minister of Labour (Mr. Nicholson) knows it, as do also the Minister of Finance and all the members in this house. Lack of money is restraining production. But increase housing credit, and you will see our employed building houses.

Today, to stabilize the economy, we restrict production by withdrawing some of the money in circulation so that the people cannot buy the goods produced. We should do the opposite. We should allow the people to produce as much as they can and then give them the credit they need to buy what they have produced. Is that clear? We must promote economic growth instead of restricting the economy and trying to stabilize it in a country where expansion and progress are in full swing. The government wants to check this progress. Why do they want to stabilize the country? Here we have a young country eager to develop, and the Minister of Finance, who claims to have the authority over the monetary system, wants to stabilize and control it.

[Mr. Grégoire.]

The Minister of Finance said:

I know that... in this year of unprecedented prosperity and expansion—

Yes, I am going to say this in any county and to any of our unemployed. Believe me, this is what the Minister of Finance said: This is a year of unprecedented prosperity and expansion. I ask the Minister of Finance to say this in my county, to the unemployed in my region. He would soon be back here. Go and say to the Quebec farmers that this is a period of unprecedented prosperity and expansion.

I am ready to tour the Saint-Maurice-Laflèche riding with the parliamentary secretary and say to the unemployed, the workers, the farmers and the businessmen there: Gentlemen, the minister has said that unprecedented prosperity and expansion are taking place.

Mr. Chrétien: In the past three years, the number of unemployed in the county of Saint-Maurice-Laflèche has diminished by 3 per cent.

Mr. Grégoire: How many are there in Quebec, Mr. Chairman? According to the latest report we have received, there were more in January this year than in January last year. The number of unemployed in January this year has increased compared with last year. The welfare organizations which take care of those who cannot be considered as unemployed find that the number of cases helped has increased compared with last year.

Mr. Chrétien: Give us the difference between 1963 and 1966. Talk about the time the Conservatives were in power.

Mr. Grégoire: We shall talk about it. Unfortunately, I did not bring the statistical report on unemployment, but I can speak twice or even three times on this question. I know there is another member who wishes to speak. In the meantime, I shall go and get the figures and show them to your face. I have them in my office. I cannot bring all my data with me but I shall show them to you to your face, to the face of the parliamentary secretary to the Minister of Finance, that the number of unemployed in January this year, according to the latest report we have received for January-February has increased compared to January-February last year. It has increased, in spite of this being a year of unprecedented prosperity and expansion.

An hon. Member: And the collective debts have also increased.

Mr. Grégoire: Yes and the collective debts have also increased. And let the minister come and refute this. The minister continued:

I know that there are still or have been in this year of unprecedented prosperity and expansion, some unused resources.

Well, there have been some unused resources. All our unemployed manpower, that is an unused resource. That was not used.

But those resources have not been available in the places where they could be used. So that is why I say during the year that I have been in office, I have not been troubled about a deficiency of money and credit.

One of the places where those resources have been unused is surely in the construction industry which is one of the main areas of the economy of a country. The resources have not been used in that area. But it does not matter, in spite of all that, he says that there has been no deficiency of money and that he has not been troubled about that.

There are other fantastic questions in this issue. Unfortunately, in that committee, all the questions we wanted to ask could not be put and we have not been given the scope we wanted.

• (6:10 p.m.)

I was not a member myself of the committee and when I wanted to carry the matter further, I did put the following question to the Minister of Finance:

—Mr. Sharp, when, you yourself, or the Bank of Canada decides to increase the money supply which is done almost every year how do you proceed to increase that money supply?

You will note, Mr. Chairman, that I asked the Minister of Finance how he proceeds to increase the money supply. But the minister would not answer. He then turned to the chairman of the committee—

The Deputy Chairman: Order. Order. I regret I have to advise the hon. member that his time is up.

Mr. Grégoire: I shall continue later, Mr. Chairman.

[*English*]

Mr. Olson: Mr. Chairman, in considering Bill C-190 after all the time which was spent on it in the standing committee, of which I was not a member, it seems to me the amendments contain very little except for steps to correct a few weaknesses which have become evident, apart from the clause which deals which the authority to be vested in the Minister of Finance and the government to issue a directive to the governor of the Bank of Canada in the event that there is a conflict of opinion on what future monetary policy should be.

A recommendation to that effect was contained in the report of the Porter royal commission on banking and finance. At the time that report was made public we in this party commended the people who prepared it because for too long we had heard ministers of finance deny in this house that they and their governments could assume full responsibility for monetary policy. I do not suggest that the present minister made such a statement but it is a fact that in 1961 the then minister, the hon. Donald Fleming, said he could not assume responsibility for monetary policy. He went on to say that he was almost astounded by what he found in the statute books at the time that he had a conflict with the then governor, Mr. James Coyne.

On that occasion I sat in the gallery and listened to him say that the events which took place sent him scurrying to the statutes to find out where such authority finally rested. He said he was astounded and amazed, and I think he was disappointed, when he finally discovered that the governor of the bank was the final authority on monetary policy. But now a government directly responsible to parliament is going to assume full responsibility for the direction that monetary policies take, and we in this party give our full support to that amendment.

Surely the purpose of the Bank of Canada is to adjust monetary policies from time to time to make them appropriate for current economic conditions. This purpose must be achieved in anticipation. In other words, the Bank of Canada, the Minister of Finance and all those who are directing monetary policies must constantly look ahead because those policies must be established in advance of immediate requirements. The effectiveness of a monetary policy does not take place immediately.

Predictions cannot always be accurate. We do not expect that. But for too long the legislation establishing the Bank of Canada and providing it with its authority has been leading Canada into an undesirable situation. This afternoon much argument was advanced by the hon. member for Fraser Valley, the hon. member for Kootenay West and other hon. members that the Bank of Canada ought to be a bank of issue, at least to the federal government during those times when it is desirable to have an expansion in the money supply. Members of the Social Credit party have been advocating this step for 25 to 30

years in this house and there is good reason why we continue to advocate it. The reason is very simple. We believe that the money required for capital expenditure at the federal and other levels of government should be provided at low interest rates and by an institution that is owned and controlled by the people of the country.

The second but equally important reason for our advocating this is that the earnings of the Bank of Canada must be turned back into the consolidated revenue fund. I have before me the 1964 annual report of the governor of the Bank of Canada. At page 45 of that report there appears the Bank of Canada statement of income and expenses. Total income of the bank in 1963 was $127,851,000. There were total operating expenses of $10 million, and after depreciation and other items had been taken into account $116,386,000 was left as net income which was paid to the Receiver General of Canada to be placed in the consolidated revenue fund. In 1964 this amount increased to $128,237,000 and in 1965 the operations of the Bank of Canada produced a net income of $143 million payable to the Receiver General of Canada.

The more bonds the Bank of Canada holds, whether they be government bonds or other kinds, and the more assets it has, the more will be the net income transferable to the consolidated revenue fund. To me this seems relatively simple to understand because when this money comes into the federal treasury it provides funds for all of the expenses of the federal government. It is equally easy to understand that the Bank of Canada is an institution owned by the people of Canada. All its shares are held by the Minister of Finance in the name of the people of Canada.

For hospitals, schools, federal government buildings and all the other capital projects mentioned by the hon. member for Fraser Valley, we contend that the original capital ought to come from the Bank of Canada. Such projects are non-profit or not immediately profit producing. If they were financed by the Bank of Canada we would only have to pay for them once. We would not have to pay their cost over and over again in the high interest charges imposed during debt amortization.

At this stage in our development it cannot be said that this kind of policy is ridiculous and that we who advocate it do not understand the financial and monetary system of the country. I have before me three advertisements, and I could produce more, showing that in fact the Bank of Canada does buy federal government bonds. Some 15 or 20 years ago we were ridiculed for suggesting that this could and should be done. Now, to a degree, it is being done. For example, one of these advertisements appeared in a daily newspaper of April 1, 1965. The advertisement states:

> • (6:20 p.m.)
>
> Issue of $175,000,000 non-callable government of Canada bonds.

Then there is this paragraph:

> Bank of Canada has already agreed to acquire a minimum of $75,000,000 of the new bonds.

There it is, Mr. Chairman. They are doing it. I have another advertisement which appeared in the Ottawa *Citizen* of June 14, 1965. This one reads:

> Issue of $325,000,000 non-callable government of Canada bonds dated July 1, 1965.

Then there is the following paragraph:

> Bank of Canada has already agreed to acquire a minimum of $75,000,000 of the new bonds open as to maturity.

I should also like to read from an advertisement referred to by the hon. member for Fraser Valley a few minutes ago. The date of issue of the bonds in this advertisement is December 15, 1966. It reads:

> Issue of $500,000,000 (or thereabouts) non-callable government of Canada bonds.

This advertisement appeared in the Ottawa *Citizen* of November 28, 1966. One paragraph reads as follows:

> Bank of Canada has already agreed to acquire a minimum of $35,000,000 of the 5½ per cent bonds due January 15, 1968, a minimum of $175,000,000 of the 5¾ per cent bonds due December 15, 1970, and a minimum of $40,000,000 of the new 5¾ per cent bonds due September 1, 1992.

There are different maturity dates, but of this issue on December 15, 1966, the Bank of Canada agreed to acquire $250 million of these bonds, or 50 per cent.

If I am correct and I have not seeen all these advertisements—this is the largest amount the Bank of Canada has agreed to acquire in advance of an issue. We commend the government for this action. We commend the Bank of Canada for buying up this public debt. No longer is it a question of whether they can or cannot do it. They are doing it. When the Minister of Finance and his parliamentary secretary say that it is foolish for us to advocate that the Bank of Canada should buy these government bonds they are flying in the face of what is actually being done. Therefore we urge the Minister of Finance

not only to continue but to accelerate this kind of policy.

We would hope that eventually, over a period of perhaps 25 years—it may take that long for all these issues to mature—all the public debt will be transferred to the Bank of Canada. Once that has happened it will not make much difference to me whether the rate of interest is 1½ per cent, 1 per cent or 2 per cent, which some hon. members have suggested would be the cost of carrying the debt. It might even be 5 per cent. It does not make much difference what the rate is because the money is being paid back to the people again through transfer to the Minister of Finance and the consolidated revenue fund. In my view it is not a very bad situation in so far as the whole country is concerned if we are taking the money out of one pocket and putting it into the other.

An hon. Member: Within Canada.

Mr. Olson: Yes, the hon. member says, within Canada. That is also important. If the Bank of Canada is to provide the capital requirements of the federal government and, through the federal government, of the other levels of government, it is absolutely essential that the Minister of Finance must act in a sound and responsible way in so far as how much expansion should take place at any given time is concerned. No one denies that. So far as I am concerned I am not sure there need be a more rapid expansion of the money supply than there is today.

I believe that this Minister of Finance and his successors will act in this way. I also believe the governor of the Bank of Canada will act in this way. We do not want one-way inflation. We are not asking for an enormous expansion of the money supply that would dilute the value of all the money in existence today but we also know there is a continuing expansion of the money supply in the country, which is the correct action to take. So long as our economy is expanding obviously it will take more money in toto to do the job that this means of exchange is called upon to do within the economy.

Therefore, Mr. Chairman, I commend the minister and his immediate predecessor for the steps they have taken because they certainly are an improvement over what was done many years ago. As a matter of fact, when Hon. Donald Fleming was minister of finance I believe he also took some action along this line, or at least a purchase of some bonds of the government of Canada was made when he was minister of finance.

I think there should be a very distinct separation of capital expenditure and what might be termed operating expenditure in so far as the federal treasury is concerned. I believe that the receipts in the treasury every year other than borrowings should be sufficient to meet the expenditures. I believe we should face up to the fact that in any year we must have revenue from taxation and other sources sufficient to meet all the demands which the people of Canada make for which members of this parliament authorize expenditure. There need not be any delay in making expenditures for whatever good reason in excess of what we are willing to tax our people. I suggest that this is the proper attitude to take in respect of what might generally be called operating expenditures. They include such things as payments to civil servants, old age pensions, family allowance payments, and so on.

Then there is a need for some capital expenditure. This could be in the form of new public buildings, wharves and even expenditures in respect of the seaway authority, and I believe this would be a legitimate place for the Bank of Canada to supply funds. In this way we would not be paying interest in perpetuity on these assets which the resources and labour of Canadians have already built.

These are important basic matters. There is no mention in this bill of any intention to accelerate the program of transferring the public debt to the Bank of Canada. I believe there ought to be. I agree wholeheartedly with the hon. members for Fraser Valley, Kootenay West and others who have advocated this. I should like the minister to answer this question. If there is an increase in the money supply—and he knows this is going on all the time—is it any more inflationary to have it provided by the Bank of Canada than by the chartered banks in the country? Is it any more inflationary to have this increase in the money supply provided by the Bank of Canada than by imported capital?

Mr. Sharp: Mr. Chairman, may I answer the question? The answer is yes.

Mr. Olson: The minister will have to give a detailed explanation of the reason. I realize that unfortunately there has been some need for the importation of capital to meet our international balance of payments from time to time. I am not suggesting that the Bank of

Canada has any means other than by importations of capital to meet this situation satisfactorily, but I am speaking of the economic and financial system within the country. I should like the minister to elaborate, when he speaks, as to why the $100 million provided by the Bank of Canada to the Minister of Finance to cover various expenditures would be any more inflationary than an authorization for provision of this money by the chartered banks. I cannot understand why that would be any more severe.

• (6:30 p.m.)

As I said a few minutes ago, we must have a Minister of Finance and a governor of the Bank of Canada who will act in a responsible and sound manner in order that we have a supply of money. There is no question about that.

Mr. Sharp: In order to clarify this point, so that I understand what the hon. member is saying, let me ask him whether he is suggesting that the Bank of Canada should have increased its assets by more than $200 million per year, which has been the average increase during the last five years, and that if it had, that would not have been more inflationary?

Mr. Olson: I am not suggesting that at all. I fully agree that the Bank of Canada quite properly increased its assets, as the minister said, by about $200 million per year for the last five years.

What I am suggesting to the Minister of Finance, as he well knows, is that there has been a greater increase than $200 million per year in the money supply. He also knows very well that his extra increase in the money supply was provided by the chartered banks as a result of increased deposits. What I am suggesting is that the extra money over and above the $200 million could have come from the Bank of Canada, and this would not have been any more inflationary so far as the total economic and financial system is concerned.

This party has been advocating for 25 or 30 years that the Bank of Canada should acquire as much of the national debt as possible. We appreciate that a great deal has been done in this regard as a result of the $250 million that went out, I presume, on December 15, 1966. From that day forward the interest will be paid to the Bank of Canada and ultimately that interest will find its way into the consolidated revenue of this country. I am sure the minister agrees with that statement. Far more of this should be done in respect of capital expenditures for public works projects of various kinds at the federal, provincial and municipal levels.

Mr. Cameron (Nanaimo-Cowichan-The Islands): Mr. Chairman, did I understand the hon. member to say at one point that the Bank of Canada should assume the entire debt of Canada? Perhaps he modified that a little bit later. I am very interested in this suggestion because I have lent a modest amount to the government of Canada. What is the hon. member suggesting should be done with my investment in the federal administration of Canada?

Mr. Olson: Mr. Chairman, I thought I made it perfectly clear that it would take a number of years, perhaps 25, to transfer the public debt of Canada to the Bank of Canada. I mention that figure because the suggestion bears some relationship to the bond issues by the government of Canada. In my view these are firm contracts that the Minister of Finance and the government of Canada must honour. For that reason there is no possibility of transferring that indebtedness until those bonds mature and all the terms are met so far as the individuals who own them are concerned.

I am not particularly concerned about the bonds which are fairly well spread throughout the Canadian population, and I refer to Canada savings bonds, because obviously the interest goes out to a great number of people across the country and represents purchasing power.

As I say, I am not particularly concerned about Canada savings bonds, although I realize they represent a fairly large part of the total indebtedness of the Canadian government. What I did suggest was that perhaps even these bonds could be diminished to some extent over a period of time. In case the hon. member for Nanaimo-Cowichan-The Islands is concerned, let me suggest that there is no question at all in my mind as to whether or not Canada savings bonds and other government bonds are firm contracts which must be honoured. Payments must be made and the interest must be paid. We do not advocate that this or any other government should welsh on these contracts.

In closing let me suggest to the minister that he continue to expand the policy that was commenced a few years ago, having in mind that eventually, 10, 15 or 20 years from now, the total indebtedness of the federal

government, with the exception of perhaps Canada savings bonds, will be transferred to the Bank of Canada.

There is another useful purpose for these bonds which is somewhat different from the use of ordinary government bonds. There may be certain economic activities in the country which would make it desirable to float a fairly large government savings bond issue. This might be desirable to drain off some purchasing power, or to slow down or take the heat off the economy. Such an issue of bonds may serve that useful purpose for some time in the future.

Mr. Schreyer: May I ask the hon. member a question?

Mr. Olson: Yes.

Mr. Schreyer: I find myself trying to agree with the hon. membr, but I should like to ask him whether he is advocating that the federal government budgeting be divided into current and capital categories, with current requirements being met by a comparable increase in revenue by way of taxation, and capital requirements being met by the Bank of Canada picking up government securities? I cannot really visualize the effectiveness of that, because people with funds to lend would be restricted to buying bonds on the private market. Would this not tend to cause tremendous cost push influence?

Mr. Olson: It is apparent that the hon. member has comprehended fairly accurately what I was trying to say. There would naturally be a long transitional period before the Minister of Finance could request the Bank of Canada to look after all capital expenditures. I have no fear of a cost-push influence developing in the private market if all private funds had to be invested there. One of the things which has caused interest rates to go up—and this could have been avoided—relates to the government going back to the private money market time and time again for large issues of money. This could have been avoided because the interest on these private funds would have found some place in the private market for the expansion of the industry and commerce. I cannot conceive of any long period of time in Canada when there would be more private funds available than the private market was willing and ready to use for the benefit of the whole country.

• (6:40 p.m.)

Surely it would be advantageous, even today, for those people who are trying to borrow money in the private money market, if there was no competition from the federal government in that market.

So, again, the answer to the hon. member's question is that he understood what I am trying to say. Obviously it could not be done suddenly, but over a long period of time I think it would be beneficial. In closing, Mr. Chairman, I wish to refer to one other matter about which I am concerned. This has been mentioned before. The estimates that have been placed before this house today, for the fiscal year ending March 31, 1968—

The Chairman: Order. I must advise the hon. member for Medicine Hat that the time allotted to him has expired.

Some hon. Members: Carry on.

Mr. Olson: Mr. Chairman, I will not take up any more of the time of the committee because it would take probably five or ten minutes to deal with this matter. I will take advantage of another opportunity to put forward this point.

Mr. Grégoire: Mr. Chairman, when I spoke a while ago I only had time to explain one point which I would now like to summarize: at the present time, our Minister of Finance sees in our monetary system a matter of flair, a matter of judgment, and not a scientific matter, a scientific problem, something scientific.

He may say: That depends on flair, on feelings but he is not quite sure; perhaps to a certain extent it can be a matter of judgment. At any rate, that is not sure, for I believe that, up to a point, it is a matter of judgment, but assuredly not one for flair and feelings.

We say, Mr. Chairman, that our monetary system must be organized scientifically, realistically, to match mathematically the possibilities and wealth of the country with the possibilities of the people for availing themselves of the wealth and production of Canada.

Among others, Mr. Chairman, I asked the following question of the Minister of Finance. It can be found on page 3000 of No. 43 of the report, in the penultimate paragraph, and I quote:

> **How can you be satisfied with the amount of money in circulation when they do not have enough money to buy what they have worked for and they still have to borrow when they are producing?**

In other words, I was asking the minister why it is that, with all kinds of goods already produced, the people should still have to borrow to purchase them?

This is the reply I received from the minister:

Mr. Chairman, the whole of our society is built on the foundation of credit. I am not at all happy that there is as much consumer credit in existence as there is, but every transaction in production nowadays involves some credit. Our system would not work very well if this were not so and I am, therefore, not concerned that there is a great volume of credit being used. This is, I think, normal. It is healthy and, indeed, unless there continues to be a rising volume of bank credit, then we would have good reason to be concerned about the future of Canada.

Mr. Chairman, this answer involves many things. The minister finds that healthy; he refers to the increase of the credit load of banks. He says it is logical that our society should be based on such a system, which he finds normal, and he wants this bank credit to continue to increase.

Now, Mr. Chairman, I should like to draw a parallel with another answer by the Minister of Finance, this time to the hon. member for Compton-Frontenac (Mr. Latulippe), as reported at page 3012 of the same report:

The process of credit creation is a familiar one.

You will note, Mr. Chairman, that in his first answer the Minister of Finance thought that this credit increase was normal and healthy.

In his reply to the hon. member for Compton-Frontenac, the minister explained how credit was created and he told us:

The process of credit creation is a familiar one. The banks make loans. The proceeds are left on deposit with the banks. They become part of the money supply. That is one way in which they are created. It is a familiar method.

The process of credit creation, I repeat it, because it is very important. It is the minister's answer as found on page 3012 of Minutes of Proceedings No. 43 and I repeat it:

The process of credit creation is a familiar one. The banks make loans.

The method used to create credit is simple: the banks make loans and when they do they create credit.

And I continue:

The proceeds are left on deposit with the banks. They become part of the money supply. That is one way in which they are created.

Thus credit is created. The chartered banks create credit. To create means to make something out of nothing.

[Mr. Grégoire.]

That explanation has never changed; otherwise it is manufacturing. But to create is to make something out of nothing. The Minister of Finance admits that the chartered banks can create credit, as shown in the text on page 3012 in an answer which cannot be clearer:

The process of credit creation is a familiar one. The banks make loans.

It is as clear as daylight, Mr. Chairman.

[*Translation*]

Mr. Sharp: Mr. Chairman, may I draw attention to both the English and French versions of the proceedings. I know my hon. friend wants to be fair to me, as I was so fair to him in these comments that I made In French I said:

That is one way in which it is created.

[*English*]

In English I said:

That is one way in which they are created.

Mr. Grégoire: Would the minister repeat that, please?

Mr. Sharp: "That is one way in which they are created."

[*Translation*]

Mr. Grégoire: I think that the meaning is almost the same. This is one way to create it.

[*English*]

"This is one way to create it."

Mr. Sharp: My hon. friend implied that I said that was the only way.

• (6:50 p.m.)

[*Translation*]

Mr. Grégoire: Mr. Chairman, if I return to the minister's statement and read it again, this is what I find:

The process of credit creation is a familiar one.

The process of credit creation is a familiar one.

The banks make loans.

That is how credit is created. Therefore, the banks create credit.

The minister answered elsewhere:

Our system would not work very well if this were not so and I am, therefore, not concerned that there is a great volume of credit being used.

The banks create credit. They are the ones to benefit from the credit created, and the minister tells us that "our system would not work very well if this were not so", if there were not a great volume of credit.

I deplore the fact that there is so much credit, because when one has to borrow from the bank creating the credit to purchase goods, it then makes all the difference in the world, as far as the people and the federal government are concerned. As a matter of fact, when you have to borrow from the very banks that create credit, you pay a high rate of interest, and as banks are creating the credit, the system is working to their advantage, for the more money they lend the more money they make.

Consequently, if the minister, who has the authority to do so, were to organize a system whereby the Bank of Canada would create credit, neither by instinct nor on the flair of the minister, but in a scientific way, based on possibilities and on Canada's production, on the work done by Canadian citizens, then the individual would not have to go to finance companies or banks, which create credit, to purchase everything he has already produced. The Bank of Canada would then create credit and it would be beneficial to the whole country, to all Canadians. But as the minister is against the Bank of Canada creating credit, I say there must either be a complete lack of knowledge of what is going on in our monetary system or there is some amalgamation or participation with the chartered banks to exploit the people.

As reported on page 3030 of the Minutes of Proceedings and Evidence No. 44, dated Tuesday, February 7, I directed the following question to the minister:

If the Bank of Canada was creating that money instead of the chartered banks, would not the government of Canada then, and all other public governments, be entitled to borrow directly from the Bank of Canada—

Please note, Mr. Chairman, that I said "the government of Canada and all other public governments". I am not including individuals or private enterprises. I said:

—the government of Canada then, and all other public governments, be entitled to borrow directly from the Bank of Canada on a debt free system instead of going to the chartered banks to borrow the money the chartered banks are creating?

Yet, the Minister of Finance had stated the day before:

In my opinion, Mr. Grégoire, that would not be good public policy. I would consider it a very inferior type of system and one that would not serve the public as well as the present system of banking.

But, Mr. Chairman, who does the present system serve? It serves the big bankers, the big capitalists. The Minister said so as evidenced by an answer he gave to a question put by the hon. member for Compton-Frontenac, which I quoted earlier:

The system used to create credit is well known. Banks grant loans.

That is the way credit is created. Whenever the federal government needs money, it goes and borrows from the chartered banks, the banks lend it money, thus creating credit and money.

We ask the minister. Why could the Bank of Canada not lend the funds instead of the chartered banks, no more no less, but the same amount? Why could it not be the Bank of Canada which would create credit instead of the chartered banks? That is what the chartered banks are doing at the present time.

The Minister of Finance answers:

In my opinion, Mr. Grégoire, it would not be a good policy.

Indeed, a good policy is one which makes the banks rich; to try and prevent the people from Quebec from paying as much in taxes, to make them pay only interest, no, that is not a good policy.

The good policy is: enrich the banks.

Why? I would like to know why the government—I mean any of our governments since 1934—has been so anxious to enrich the chartered banks by leaving with them the exclusive privilege of creating money?

At one time, I have asked the Minister of Finance the following question, which appears at page 3030:

Can the trust companies and the savings banks do the same kind of operations?

In other words, can they create money too? To that, the minister answered:

I doubt it very much.

He doubts it very much, but he knows very well that it is not so.

Chartered banks are the only institutions in Canada that have the exclusive power and the privilege to create credit in debt form.

And the minister agrees with that. The system used to create credit is very well known, the banks make loans; that is the system for credit creation.

The Minister of Finance agrees that savings banks cannot do it. Credit unions cannot do it; the Bank of Canada is unable to do it; not even himself or the government can do it. Only the chartered banks have the right to create credit.

And when I ask the hon. minister: Why would the Bank of Canada not do this? When they would have created the credit, they would lend it, say, to the federal government to build post offices; to the provinces to build hospitals, colleges, without interest. Oh no—that is not good—nothing doing.

I ask the minister, what is binding the government to the chartered banks? That would be a good question. What is binding your government to the chartered banks? Can you give a real answer? Why do you grant the chartered banks the most potent privilege in the world, the one to create credit, while you would not want the Bank of Canada to exercise the same right, the same privilege that could be used to erect buildings that will be useful to the whole population, to build hospitals, schools, bridges, roads, public works.

Mr. Chairman, it is seven o'clock. I am giving the minister the dinner hour to answer this question. I shall ask it again, Mr. Minister. I see you are busy with your deputy minister, I do not know with whom. But before we adjourn, Mr. Minister, I am giving you until eight o'clock. I hope that you will reply to this question: Why is your government not ready to give the Bank of Canada that privilege which you give the chartered banks so that the Bank of Canada may lend without interest to the institutions that will be doing so much good to the people of Quebec, our hospitals, our colleges, our universities?

Mr. Minister, you have one hour to prepare an answer for us. Why could the Bank of Canada not have the same privilege which the chartered banks have now? Until eight o'clock, Mr. Chairman.

[*English*]

The Chairman: It is my duty pursuant to standing order 39A, to inform the house that the questions to be raised at ten o'clock this day are as follows: the hon. member for Villeneuve (Mr. Caouette), public buildings—demolition of former printing bureau; the hon. member for Vancouver-Kingsway (Mrs. MacInnis), old age assistance—British Columbia —denial to old age pensioners of provincial supplement.

The committee will resume its sitting at eight o'clock.

SITTING SUSPENDED

[Mr. Grégoire.]

• (8:00 p.m.)

SITTING RESUMED

The committee resumed at 8 p.m.

[*Translation*]

Mr. Grégoire: Mr. Chairman, when the house adjourned at seven o'clock I had directed a question to the Minister of Finance (Mr. Sharp), and I had asked him to reply after supper. I see him coming in, Mr. Chairman. Then, I should like to ask him the question once again and give him an opportunity to answer it. This is the question and it arises from replies given by the Minister of Finance before the finance, trade and economic affairs committee.

On page 3012 of Minutes of Proceedings and Evidence No. 43, the Minister of Finance replied this way to a question of mine:

> The process of credit creation is a familiar one. The banks make loans.

This is the minister's first answer.

When I asked him if he was satisfied with the volume of money supply in Canada, he answered:

> Our system would not work very well if this were not so, and I am, therefore, not concerned that there is a great volume of credit being used.

Therefore, the minister is satisfied that the people have to borrow a great deal. And he added:

> This is, I think, normal. It is healthy and, indeed, unless there continues to be a rising volume of bank credit, then we would have good reasons to be concerned about the future of Canada.

But when credit increases, it is because the banks have created money, and the minister admitted it in his first answer which I quoted a moment ago:

> The system used for creating credit is well known. The banks make loans.

In what proportion do the banks make loans? The answer is on page 3029 of Minutes of Proceedings and Evidence No. 44, where the minister says:

> Mr. Sharp: When the Bank of Canada puts cash into the hands of the banks, they are under great pressure to find some means of increasing their liabilities, so I hope that when the bank is increasing the money supply, the banks respond by making more loans and otherwise increasing the volume of money and demand in the economy. This is the purpose. Similarly, when the Bank of Canada contracts the money supply, the banks then have to withdraw in order to retain a legal ratio between their cash and their liabilities.
>
> Mr. Grégoire: In a proportion of 12 to 1?
>
> Mr. Sharp: Yes. The banks have their own ideas of what is the proper proportion; the law specifies the minimum.

Mr. Grégoire: Then the law specifies the proportion of 12 to 1?

Mr. Sharp: A minimum proportion.

So, the minister concedes, in answer to the first question, that in making loans banks are creating credit. The answer to the second question is that whenever banks create credit, they need but one dollar in order to create $12.50. The answer to the third question, which can be found on page 3000 of No. 43 of the Minutes of Proceedings and Evidence, is that the minister is happy to see that there is not much money in circulation and that the people have to borrow from the chartered banks and finance companies; banks are then creating a credit of $12.50 whereas they have but one dollar, even with nothing, and are earning big interests and large profits by lending money that does not exist.

On the basis of those three answers from the hon. minister, I should like to ask him: What is binding this government, as previous governments were also bound, to chartered banks in such a way as to grant them the exclusive privilege of getting rich at the expense of the Canadian people?

Why does not the Minister of Finance want to change such a system, as he said so clearly in answer to a question I put to him, when he stated that it was the best system in his opinion and that there was no need for another one?

Well, what is the minister waiting for in order to amend this legislation and entrust the Bank of Canada with the privilege of creating credit instead of leaving it into the hands of the chartered banks? Why is the minister so keen about leaving such a privilege into the hands of the chartered banks? What links does the Minister of Finance have with the chartered banks? What ties has the government with those chartered banks? How can the chartered banks have a stranglehold on the government and hinder the Minister of Finance from passing legislation of benefit to the Canadian people rather than to the chartered banks?

This is the question I was asking before the adjournment of the house at seven o'clock tonight, and I would like the Minister of Finance to give me an accurate reply, because my question is based on three statements which are reproduced in the proceedings and evidence of the committee, and were made in reply to my query. I would therefore ask the minister to answer this very definite question.

Mr. Chrétien: Mr. Chairman, would the hon. member for Lapointe (Mr. Grégoire) allow me a question before he gets a reply to his?

Mr. Grégoire: Certainly.

Mr. Chrétien: Would the hon. member explain to the house why it is that for instance, while the Minister of Finance has repeatedly claimed that he would like to see more competition in the field of banking, many banks setting up business in Canada, why it is that credit unions, whose business is akin to banking, should not have been interested in obtaining charters, as their request would obviously have been looked upon with favour by the present government?

Mr. Grégoire: Mr. Chairman, I do not believe that question relates to mine in any way. Only this afternoon I quoted a question of mine and the reply the minister gave me, both of which can be found on page 3030 of No. 44 of the report. I quote:

Mr. Grégoire: Can the trust companies and the savings banks do the same kind of operations?

Mr. Sharp: I doubt it very much.

The minister doubts it very much. Well, we do not doubt it. The minister knows full well that the credit unions cannot create credit by loaning money. Credit unions loan what they have while chartered banks can create credit.

Mr. Chrétien: Why do they refuse to become banks? We have suggested to them that they become banks but they are not interested. If it is so advantageous, why do they not become chartered banks?

Mr. Grégoire: Mr. Chairman, I have not discussed the matter with the interested parties, that is credit union officials, but I have always heard that credit unions are co-operative undertakings and not business or commercial banks. They are co-operative companies whose purpose is to channel the savings of their depositors toward specific goals. The credit unions operate with Quebec charters and not federal charters, and therein lies the difference. Were they to ask for federal charters, they would have to stop being co-operative companies governed by co-operative rules, in order to submit to the rules provided for the chartered banks, and that is not at all why they were founded. There are all kinds of banking institutions. Credit unions were not founded to deal in commercial or banking operations but rather to become co-operative companies. Moreover,

each credit union is autonomous while the large chartered banks all have ties with a central office.

• (8:10 p.m.)

As for the question of the parliamentary secretary to the Minister of Finance, I shall be glad to inquire from the officials of the "caisses populaires" and to let him know the answer before consideration of the bill concerning the Bank of Canada. But I believe that the question of the parliamentary secretary is intended only to get attention away from this, while my own question was very precise.

Even if the "caisses populaires" held a federal charter, the question would be the same and I ask again the Minister of Finance: Why leave to private institutions the responsibility of creating credit and of getting interest from it, when the Bank of Canada could create the same credit and lend it with no interest, for public development, meaning the development of such public services as roads, bridges, schools, universities, colleges, post offices, etc? That is what we want. We want the Bank of Canada to create the yearly increases in credit now created by chartered banks. We do not want this to be left in the hands of private institutions for we do not believe it is the responsibility of private institutions—whether they are called "caisses populaires" or otherwise—to make Canada's credit bear fruit, for that credit is generated by the work and the production of the Canadian people as a whole and not by the work of a banking institution.

That is why I ask the Minister of Finance to tell us why the government does not legislate to permit the Bank of Canada to create credit in behalf of the people, Canadian people, instead of leaving that privilege in the hands of private institutions, which use it in their own private interests.

I do hope that the Minister of Finance will answer this question.

[*English*]

Mr. Sharp: Mr. Chairman, both during the committee and recently I have been doing my best to explain to the hon. member for Lapointe how the present monetary system works. As I said during the committee, Mr. Chairman, though of course I benefited greatly from my discussions with the hon. member, I have apparently not progressed very far with his education.

May I try to answer as simply as I can the question put by the hon. member. There is no particular magic in the sytem of financial institutions that we have in this country. They exist throughout the world and they operate on very much the same principles everywhere. If I may say again to my hon. friend, they exist notwithstanding the blandishments of Social Credit theory. Indeed, nowhere in the world do I know of any country that has succumbed to the allurements put before us by my hon. friend.

Mr. Bell (Saint John-Albert): Russia.

Mr. Sharp: No, not even in the Soviet union has the Social Credit system been accepted, and neither has it in any free country that I know of.

I made a number of statements in the committee which when I look at them, I only regret because they have given my hon. friend an opportunity to make another speech; but on the whole I still defend them as being reasonable. Although it is true that one way in which credit is created in the banking system is the one I have described, it is still nevertheless the fact that banks, like any institution, must borrow in order to lend. A bank borrows in various ways. It borrows to provide resources to people like the members of this parliament who from time to time I am sure go to a bank to borrow money. In order to provide those resources the banks have to pay interest on the deposits, or on a large part of them. Even where they do not pay interest a certain cost is involved in providing the resources to the borrower.

Let me say this to my hon. friend the hon. member for Lapointe. When a bank lends money the borrower may obtain a loan which he deposits in the bank, but this is only the first step. In order to retain that deposit the bank must persuade the depositor to maintain his deposit with the bank. After all, if my hon. friend from Lapointe goes to a bank and borrows money he does not leave it on deposit, but uses it. People who have money might like to deposit it in a bank, but they will do so only providing the bank gives them some return on it. So that these are not costless deposits.

If the hon. member were to look at the financial return of any chartered bank he would see on one side the assets and on the other side the liabilities. Then there will be a balancing item to cover the capital and the surplus. It would certainly be a new system—and perhaps this is what the hon. member is thinking about—if the banks were able to handle this process on a costless basis, as the hon. members seems to suggest they can.

The present financial system is nothing very unusual, and there is no particular magic about it. I suggest—

Mr. Grégoire: Mr. Chairman, I do not think the minister would like to impute to me words I never said. I never said that banks should not charge interest in return for money lent. If banks lend money to individuals, they charge an interest rate. But if they create new money this is where I do not think interest is logical or realistic. I suggested that new money created by the Bank of Canada should not carry interest. Money in the accounts of credit unions, savings banks or the chartered banks should demand interest, but any new money representing an increase in the money supply in any one year should not carry interest and should be created by the Bank of Canada. I should not like the Minister of Finance to put into my mouth words that I did not say.

Mr. Sharp: I am quite happy to accept the words the hon. gentleman has just uttered, Mr. Chairman. All I said was that the deposits which appear on one side of a balance sheet as liabilities of a chartered bank cost the bank something either in the form of interest on the deposits or servicing of the deposits. There is no costless system under which a bank can operate; otherwise they would be much more profitable institutions than they are. I suggest that the hon. member is really misleading the committee when he suggests that there is some magic way in which the banks create something out of nothing. That is simply not so.

• (8:20 p.m.)

[*Translation*]

Mr. Caouette: Mr. Chairman, the Minister of Finance (Mr. Sharp) has not been very precise nor very convincing in his reply to the question put by the hon. member for Lapointe (Mr. Grégoire). He said that he found it quite difficult to educate the hon. member for Lapointe but the Minister of Finance did not attempt to educate those who advocate social credit in Canada, because it is precisely by studying in detail the system endorsed by the Minister of Finance and by those who came before him that we came to the conclusion that social credit offers a solution to the problem the Minister of Finance is unable to solve at the present time.

The minister says that social credit exists nowhere. This does not mean that social credit is wrong, and it does not disprove the fact that the financial system in which the minister flounders still remains a monkey system, an unrealistic system, a system which is not based on facts, a system which penalizes the Canadian worker, the Canadian people.

The Minister of Finance gives his fatherly and favourable blessing to a system which I would call "cannibalistic".

Mr. Chairman, it is easy for the minister to say that everyone is familiar with the process, but I think that he is not so sure himself that he knows it in depth, and he proves it when he says that anyone who wants to lend money must first borrow it.

Has the minister ever seen a chartered bank borrow money? Has he ever seen a chartered bank lend its savings deposits? Has he forgotten what Mr. Graham Towers, former president of the Bank of Canada, said in 1939: "The chartered bank does not have the right to lend its deposits."

Now one must really know why the Bank of Canada was created in 1934 and to what purpose. The Minister of Finance probably never read this but here is what it says at page 1054 of the 1966 Canada Year Book:

> The Bank of Canada is Canada's central bank. It was incorporated under the Bank of Canada Act in 1934 and commenced operations on March 11, 1935.

A Conservative government was in office then. It is under a Conservative administration that the Bank of Canada was created. This was in 1935, 32, or 33 years ago.

> The Act of Parliament which established the central bank charged it with the responsibility for regulating "credit and currency in the best interests of the economic life of the nation", and conferred on it certain specific powers for discharging this responsibility.
>
> Through the exercise of these powers, the Bank of Canada determines broadly the combined total of the basic forms of Canadian money held by the community—currency outside banks plus deposit balances in chartered bank accounts.
>
> By virtue of the provisions of the Bank of Canada Act, which enable the central bank to increase or decrease the total amount of cash reserves available to the chartered banks as a group—

Available to the people, to chartered banks.

> —the Bank of Canada is able to determine broadly the over-all level of the total assets and deposit liabilities of the group, and hence of the combined total of currency and bank deposits.

Mr. Chairman, here on page 1055 of the Canada Year Book, we find the following concerning the Bank of Canada:

> The chief method by which the Bank of Canada can affect the level of cash reserves of the chartered banks and through them the total of chartered bank deposits, is by purchases and sales of government securities.

My deposits, not those of the Minister of Finance, not the money or deposits of the Canadian people.

> —is by purchases and sales of government securities. Payment by the central bank for the securities it purchases in the market adds to the cash reserves of the chartered banks as a group—

Which means that if the central government, if the Minister of Finance issues a million-dollar bond, it adds to that immediately.

If the Bank of Canada buys these bonds, this increases the reserves of all the Canadian chartered banks. So they are allowed to created $12,500,000 for each million in bonds. Where do those $12 million come from? From whom do the chartered banks borrow these $12 million? From nobody at all, but they are allowed to put into circulation $12 million and a half of new credits and this does not affect the deposits of the customers, but that is authorized by the government issuing one million in bonds. That is the way it is.

Mr. Chairman, when paying for the securities which it buys on the market, the Bank of Canada adds to the reserve of all the chartered banks and allows them to increase their assets and their deposit liabilities.

On the other hand, when paying to the bank the securities which they sell, the chartered banks reduce their reserves and must reduce also their assets and their deposit liabilities.

Such is the economic cycle which is announced to us seriously from time to time. When the Bank of Canada buys government bonds or securities, thereby allowing chartered banks to expand credit in Canada, the standard of living is improved and a new stimulus is applied to the Canadian economy. When the Bank of Canada decides to sell securities to the government, credit then becomes tighter. That is the explanation of those economic and financial cycles.

And, Mr. Chairman, what do we say to the Minister of Finance? Series of bankruptcies stem directly from that system. We suggest that the Minister of Finance amend the Bank of Canada Act, and we would be ready to pass such a piece of legislation. Parliament is fully empowered to pass the required amendments so as to put the Bank of Canada at the service of the country, rather than at the service of the chartered banks, and to prevent the Bank of Canada from being hog-tied to the Canadian banking system. Even though the minister says that this system is the most appropriate for us, he knows that this system is not in keeping with the present needs of Canada. All departments are short of credit and money, be it the Departments of Labour, National Defence, National Health and Welfare, they all claim: we need money.

[Mr. Caouette.]

Mr. Grégoire: May I put a question to the hon. member?

Mr. Caouette: Yes.

Mr. Grégoire: Is the hon. member aware that the hon. Minister of Finance said before a committee on February 6, last:

> I was not concerned about a shortage of money or credit; perhaps I will be in the future, but until now it never worried me.

Has the hon. member heard of this statement made by the hon. Minister of Finance?

Mr. Caouette: I knew about it because the hon. member referred to this answer earlier, although it is entirely false since the hon. member himself keeps saying and repeating, when we ask for increases, for instance, in the field of old age security, or family allowances: we do not make money, we have only two means at our disposal, in the government. There is no magic formula. Indeed. The only way lies in borrowing and taxation. That is all the Canadian government as such can do.

Mr. Chairman, the hon. minister knows only too well that nothing prevents parliament from amending the Bank of Canada Act to enable it to finance public undertakings without interest, as the hon. member for Lapointe (Mr. Grégoire) stated earlier. The hon. minister knows that it is even our duty to do this. Nothing stands in the way, or rather, yes, something prevents it; pressure from the financial world prevents it.

• (8:30 p.m.)

But the minister is aware that we could use the Bank of Canada to make financially possible the development of the public sector either in the federal, provincial, municipal or school areas. The minister is aware of this.

And let the private sector continue to seek financing from the present sources, from the chartered banks. We have no objection to this. But why ask and require the governments at various levels—federal, provincial,

municipal and school, to pay twice to produce something, to build something, to achieve something and leave the control in the hands of a few individuals?

Mr. Chairman, we are not asking the minister to nationalize the banking system, no. We ask that full and complete use of the services of the Bank of Canada be resorted to, through mobilization and through usage, so that it may enable our school boards for instance, to get out of the financial mess in which they are now, for the provinces to secure credit, instead of forcing them to go on bended knees to New York or to Belgium to obtain funds to develop their provinces and to ask Washington for permission to build a road in the province of Quebec or in the province of Ontario to build power dams in our province, to go and get funds in Belgium or France and to compel the province of Quebec or any other Canadian province to do likewise, while we have the required technicians, engineers and all that in Canada.

We are unable to have a monetary system make it possible for us to finance the public sector which concerns all the people and ourselves. The Minister of Finance does not say a word about that, he is as good at mathematics this year as he was last year or three years ago. There are only two ways for him to find money—loans or taxes. Before taxing he must borrow—and the minister, of course, agrees with that. And when enough taxes have been levied and there is till a lack of funds, one has to resort to loans, one takes on new debts and taxes are collected under a new form as it was recently done for old age security. Taxes are doubled from $120 or $122 to $240. That is the Minister of Finance's system. And when we tell him that we are living in a financial world which can be dubbed a world of lunatics and that we are administered by the most prominent among them, we are called demagogues. This is what we are told when we say to the minister that he should assume his responsibilities and not amend the monetary system as he is now doing.

We have had typically Liberal or Conservative monetary reforms. Sure. We once had very small five-cent coins. A monetary reform was undertaken and nickel five-cent coins were issued. That was a monetary reform. At one time, we had small twenty-five-cent bills. They were replaced by twenty-five-cent pieces. Another monetary reform.

However, this did not increase the amount of money in circulation. Nothing was changed. And the situation remains the same.

A former Liberal Canadian prime minister, William Lyon Mackenzie King, said in August 1935, before the general elections and after the Bank of Canada Act was passed and implemented in that year, that as long as the government and parliament did not regain control of the amount of money put into circulation and the credit issued in Canada, it was futile and useless to believe in a sound democracy. It was a waste of time. Those were the words of Mr. King, former spiritual father of the present Minister of Finance. The Minister of Finance has completely forgotten this fact, but we remember it, Mr. Chairman.

The Acting Chairman (Mr. Richard): The hon. member for Mount Royal.

Mr. Trudeau: Would the hon. member allow me to ask him a question?

Mr. Caouette: Certainly.

Mr. Trudeau: Does he not think that the people would not make an effort to buy government bonds with their savings if the government did not pay interest?

Mr. Caouette: This has nothing to do with the question. Let the government have recourse to issues of bonds bought by the Bank of Canada. Why should the Bank of Canada not be the one allowed to multiply this sum by 12.5?

Mr. Trudeau: The people are the ones who pay. Would they do so if they knew they would get no interest?

Mr. Caouette: Instead of paying the government or financing the government, the people would finance the establishment of new industries, for example in the province of Quebec, which is said to be underdeveloped, and perhaps also in other provinces. Instead of letting the central government benefit by these savings, let us use them to encourage the people to invest their savings in the establishment of new industries and the development of natural resources in the province. That would be logical and we would agree to such a thing.

Mr. Trudeau: I believe that the hon. member has not quite understood. Would the public lend money, in the public sector or elsewhere, if no interest were paid?

Mr. Caouette: No, indeed not. I agree with the hon. member on that point. If the hon. member lends me $10 and I pay him back $10.50, that is quite normal. But if chartered banks are authorized, under the act, to create $12 million for every million of bonds issued by the government and to charge interest, in that case, we are against that interest and the currency created.

When one lends something to someone who does not have it, and the latter refunds one with interest, it is quite normal. We are not against interest on that which exists, no, but we are against interest on created credit; and interest is precisely the nightmare of the government.

This year, Mr. Chairman, we shall pay over $1,215 million in interest on the government debt only, which has never been anything but a simple national debt. The interest on the national debt will amount to $1,215 million this year. Why has the federal government not used that money? The situation is very clear. The proof is that the national debt amounts to $26 billion and the total money in circulation in the country does not even reach $20 billion at the present time.

This year the amount of $1,274 million will be appropriated for the federal government debt charges only, apart from the debts of the provinces, municipalities and school boards. Now the amount of $1,274 million represents in interest alone, more than one ninth of the total national budget. The budget will reach what amount? About $9 billion?

Mr. Trudeau: But to whom is this interest paid? I would very much like to know.

Mr. Caouette: To those who have created Canada's debt, that is to the chartered banks. For the information of the hon. member for Mount Royal (Mr. Trudeau), I shall say this: each time a Canadian boy, a Canadian worker buys Government bonds, 85 per cent of such bonds go into the hands of the Canadian chartered banks as collateral for loans granted by the same banks. Where is the control of the Canadian debt? Into the hands of the chartered banks of Canada and not into those of the Bank of Canada. We owe nothing to the Bank of Canada, and yet, it is our own institution, however, we are of course indebted to the Canadian and American banking systems.

Mr. Chairman, all this is to say that we are in possession of all the required means—and

I am calling on the Liberals as well as on the Conservatives—

• (8:40 p.m.)

[*English*]

Mr. Sharp: Mr. Chairman, might I ask the hon. gentleman a question. I am sure he wishes to be factually correct.

Mr. Caouette: Yes.

Mr. Sharp: I wonder whether he had referred to the figures before he gave his estimate of 85 per cent of the public debt being in the hands of the chartered banks, because I have here the latest summary for February 1967 of the Bank of Canada. I am referring to pages 107 and 108, and it shows that out of the total of $21,290 million outstanding, $4,116 million is in the hands of the chartered banks.

[*Translation*]

Mr. Caouette: Precisely. That is what the the hon. minister knows indirectly. That is the amount controlled by the chartered banks which granted loans to the minister directly.

However, I myself have seen businessmen from Montreal deposit $1,700,000 of the central government bonds in the Canadian National Bank in Montreal as a collateral to secure a bank credit. Does this mean that the bonds belong to the borrower or the chartered bank? And the minister knows this.

[*English*]

Mr. Sharp: The borrower.

[*Translation*]

Mr. Caouette: That is right. That part is controlled by chartered banks, and is not included in the $4 billion just mentioned by the minister. That is a different matter.

I mean to say that all those people who bought up to 85 per cent of bonds were forced to deposit them as a guarantee in chartered banks—

Mr. Chrétien: Mr. Chairman, for the benefit of the hon. member for Villeneuve (Mr. Caouette) those bonds are not listed under the liabilities of the bank but are kept in reserve simply as collateral; they do not appear under the liabilities of the bank or on its balance sheet.

Mr. Trudeau: What about the bank's balance sheet?

Mr. Caouette: It does not figure in there.

Mr. Chrétien: Instead of keeping their bonds in a drawer at home, they hand them over to the banker.

Mr. Caouette: More than that, at one time, those people were told: "Listen, we will buy, because we will not lend you any more on bonds you have deposited here as collateral —that was when tight money was introduced three years ago—however, we are prepared, for instance, to purchase your bonds, but instead of paying $1,700,000—we will pay $1,100,000. At that time, Canada bonds were not selling at par, but at a lower price than paid by those who had purchased government bonds. The banks which were controlling then control now. And when I say that Canadians generally had to hand over their government bonds to chartered banks as collateral, this is a fact; the bonds are there and the banks can at any time tell the borrower: "We are keeping your bonds because your credit is no longer acceptable to us".

People can have their credit cut off overnight or within ten minutes. That is how the present banking system works.

At the banking committee, I heard bankers, bank vice presidents and general managers say that they had but one purpose: to help the Canadian nation, those in the lower income bracket, and that if they were allowed to raise the rate of interest they would be in a better position to help those with low income, I say that is not the way to help them, to serve the common interest of the Canadian people or of Canada.

Hours on end are spent discussing trifling matters, but the financial system seems of no concern and is of course not considered worth studying so that it could be amended and brought up to date. That is a fact, but should a member bring up the matter of a scandal in this house—Rivard's escape, the Gerda Munsinger affair, and similar things—and the reporters section up there will be filled to capacity, because it would be considered an important matter; but when the economic blood of a nation, the control of a nation is in the hands of money and credit handlers, that is not important, it is normal to carry on with the present system and follow the same beaten tracks.

Mr. Chairman, large newspapers are controlled by that financial group. They cannot even say what they think, but only what is dictated to them by the financiers, and that is why the press is not only poisoning the public at large and the ordinary working man, but also university students. The financiers have but one objective and that is to make money and try to control and crush anyone who does not conform to the present financial system.

Mr. Chairman, the Créditistes are right in calling for amendments. The amendments passed this year will last ten years, for the renewal of the banks' charter will be for a ten-year period. Are we going to give ten more years of power to those who control money and credit? Are we going to entrust them again with that weapon which is represented by finance, that weapon which was condemned not only here in Canada but even in the United States, by former American presidents I have already quoted in this house, who said: "Our enemies are not the armies, no, but the financiers".

Here in Canada who are our real enemies? The Americans? No. The fact that the English do not speak French and the French do not speak English? No. Our enemies in Canada, and those who are sowing discord and taking advantage of divisions and misunderstandings, are precisely the financiers, who are not people of a particular language. Their monetary system has no religion either, the dollars are even colorless and especially heartless.

An hon. Member: You should try and convince the hon. member for Lapointe (Mr. Grégoire).

Mr. Caouette: We must leave to the hon. member for Lapointe (Mr. Grégoire) the responsibility of his actions. He is the one that answers for his actions. We are democrats, in that sense at least.

Mr. Grégoire: I can answer for my actions, while it is impossible for the parliamentary secretary of the Minister of Finance to answer for his.

Mr. Caouette: Let us simply demand, and we need not demand, we have only to adopt laws, to tell the bankers: "You can do this, but you cannot do that." There is nothing easier than to tell the Bank of Canada: "You are going to finance the public sector." Then, any new credit will be created by the Bank of Canada to serve the public sector.

• (8:50 p.m.)

The chartered banks will not have the right to multiply that credit 12.5 times. On the other hand, in the private sector, they should keep the rights they now have by depositing with the Bank of Canada so that we can have some control on our monetary system. There is no need to nationalize anything for that. It is enough to use our best judgment to put that finance at the service

of the Canadian citizens and not of parliament.

But parliament has to pass the act. And Mr. Graham Towers said that parliament has full power to adopt amendments, to amend the Bank Act to make the Bank of Canada more flexible, not to put it at the service of the chartered banks but at the service of the Canadian citizens—in order to regulate credit and currency in the best interests of the economic life of the nation and to improve the economic development of the nation by maintaining Canada's economic growth. That is why the Bank of Canada was created. Our debts can be paid in the same way they were made.

Mr. Mongrain: Mr. Chairman, I would like to ask the hon. member a question. I suppose that you will find it objective and that I suppose that the hon. member for Villeneuve has studied the system in operation in Europe, in the Netherlands especially. It is called municipal credit. Does not the hon. member for Villeneuve feel that it would be a practical and workable stage toward the monetary reform he advocates since it has been working for at least a hundred years?

Mr. Caouette: I thank the hon. member for Trois-Rivières (Mr. Mongrain) for his question. As a matter of fact, I think that a municipal development bank or a municipal or school credit bank would greatly help, provided that bank were the Bank of Canada and not the chartered banks. Because, precisely, municipalities and school boards fall in the public sector. This is the case in certain countries, such as the Netherlands. Yes, for this system of municipal credit exists. But is it controlled by the central bank of those countries or is it in the hands of chartered banks instead of in the hands of the central bank? We could do exactly the same as we do with the Industrial Development Bank, which is now a branch of the Bank of Canada.

The present Minister of Finance may not be minister of finance ten years hence. But while he is, in view of his great knowledge of the present financial system and in view of the fact that he looks like a good guy, and that he gives the impression that he understands easily, I suggest he should bring in some concrete amendments which would make it possible to use Bank of Canada interest-free credit for the public sector and would make the chartered banks serve the private sector as they have always done in this country.

[Mr. Caouette.]

[*English*]

Mr. Olson: Mr. Chairman, when I was speaking earlier this evening I suggested to the Minister of Finance that the Bank of Canada should purchase a greater amount of the bond issues of the government of Canada. I am sure the minister agrees with me because certainly his policy has been that the Bank of Canada purchase at least part of the bond issues floated from time to time. As I pointed out in respect of the $500 million issue of December 15, 1966, the Bank of Canada agreed to acquire a minimum of $35 million of one type, $175 million of another type and $40 million of the third type, and I use the word "type" in the sense of maturity date. There was an agreement to purchase $250 million of this issue. In other words the Bank of Canada agreed to pick up 50 per cent of the total. Therefore there seems to be some degree of agreement between the Minister of Finance, his government and the Bank of Canada.

It is important that this policy be extended because we are not even holding our own so far as debt charges are concerned. The new book on estimates placed before the house today indicates an item for public debt charges at page 140 in respect of interest and annual amortization of bond discount premiums and commissions in the amount of $1,270,939,500. This represents an increase of $88,488,000 over the previous fiscal year. The increase in net earnings of the Bank of Canada transferred to the consolidated revenue fund between 1964 and 1965 was only $15 million. For this reason we are deeply concerned about this amount of public debt to be carried by the Bank of Canada and we suggested that it should be increased. The Bank of Canada should be purchasing a greater percentage of these new issues.

The $1,270,939,500 required for the ensuing fiscal year is about one half of the personal income taxes paid in this country. This is far too much. Yet, as I pointed out in response to some questions, we as a nation must honour all the bonds which have been issued as they mature. This is the area in which the Bank of Canada should be involved to a greater extent.

We have all heard a great deal of discussion and disagreement about how the money supply is increased. The minister has acknowledged that the Bank of Canada has been responsible for increasing the money supply to the extent of about $200 million per year for the last five years. That does not represent the total amount of the increase.

I have in front of me a quotation from the Winnipeg *Free Press*. Actually this is a digest of quotations from that newspaper during the last few days of October, and November of 1961. These quotations refer to one of the techniques used by the Bank of Canada to increase the money supply. I understand the minister is from Winnipeg and that he and members of his party have a high regard for this newspaper. Perhaps he can find some measure of agreement with the assertions that have been made in these articles. They refer to a period of inflation, because at the time there was a series of federal government deficits. Let me quote from the article as follows:

> The easiest way to explain the Bank of Canada's technique for expanding the money supply is to give an example.
>
> The Bank is the agent of the government. The government in the present year is spending $980 millions more than it receives in revenue from taxation. The government, therefore, must raise money by selling bonds and thus be able to pay its bills.

The article then states:

> In the illustration—the government needs $250 millions, is afraid to take a chance on the open market and so increases the money supply.
>
> The Bank of Canada puts in an order with financial houses to buy any given amount of government bonds—say $20 millions worth. The bond houses go on the open market and buy these bonds. They present themselves to the Bank of Canada the next morning and say "Here are the bonds you ordered. You owe us $20 millions."
>
> The Bank of Canada accepts the bonds and pays for them with a cheque ... deposit it in the chartered banks. And the chartered banks can do but one thing with a Bank of Canada cheque. They present themselves before the teller's wicket in the Bank of Canada and deposit it in their account. The chartered banks are to the Bank of Canada what the mass of people are to the chartered banks—customers.

The article then states:

> Under the Bank Act, the chartered banks are required to hold cash or Bank of Canada deposits equal to 8 per cent of their own deposits from the public. This means that once the $20 millions is deposited with the Bank of Canada, the chartered banks can expand their own deposits by 12½ times this amount—or by $250 millions.
>
> The money supply is thus expanded by $250 millions by the stroke of a pen.

A few moments ago the minister said the chartered banks could not create anything out of nothing. In other words the only way they can increase their loans is by increasing their deposits. That is the first step, but once they have their increase in their deposits with the Bank of Canada under this fractional reserve system they are in fact allowed to increase loans by 12½ times the amount of the increase in the reserves at that time.

The article then continues as follows:

> So it follows, the banks use the $250 millions of new money to buy the $250 million bond issue which the government promptly issues. The government's accounts with the banks go up by this amount.
>
> What has happened is that the chartered banks have increased their deposits by $250 millions—the increase going into the government's accounts. The government can write cheques for $250 millions and the money is thus dispersed all over the country—to contractors, manufacturers, civil servants, old age pensioners, and so on.

I agree essentially with what is contained in that article regarding the techniques used to increase the money supply. It is not always the Bank of Canada making an additional issue of Canadian government bonds that increases the money supply; the chartered banks of this country increasing their deposits with the Bank of Canada, as they are authorized to do, has the same effect. It is a fact that the Bank of Canada and the chartered banks have this authority to increase the money supply.

• (9:00 p.m.)

We are concerned about the municipalities in this country and their capital requirements. A proposal was put before us several years ago by a former minister of finance by way of the municipal loan and development fund. This program gave the municipalities loans of something like $400 million over a stated period of time. These loans were designed to create work. Because of the forgiveness clauses incorporated into the loans, they were almost debt free. In some cases I understand the effective interest rate will be only about 2 per cent, after taking into consideration the forgiveness clause. This is another precedent in this direction; I am not saying it is the same thing, but it is what we need in so far as capital requirements are concerned.

Earlier today some hon. members were wondering what will happen to all our private savings if ultimately the federal government does not float bond issues from time to time. I suggest that if the private savings in this country which are held by individuals, corporations and groups such as life insurance companies, trust companies, and so on, were available on the private money market for such things as house building and the expansion of industrial and commercial concerns, no one would need worry that there will be more private funds available than beneficial uses for such funds. I suggest that today exactly the opposite is the case. There are insufficient private funds available to take care of the demands for housing and expanding

our industrial base. I suggest, also, that this is proven by the enormous amount of foreign capital that pours into Canada year by year. If it were not for the private funds of individual Canadians going into government bonds, there would be only one other place for them to go, and that would be into the equity of Canadian industry. I think it would be desirable for a situation to be created whereby Canadians would be encouraged to place their savings in the industrial and commercial enterprises of this country.

One of the serious problems that Canada faces today, and which will be even more serious in the future, is that so much of our industry and development is achieved as a result of foreign capital, and the ownership lies with those investing the money, and the interest and dividends that accrue from that development go to the investing country. This is one of the things that is causing difficulty in our international balance of payments situation, because the interest and dividends that accrue from this investment go out of this country.

In my opinion there is no problem at all in finding a place for the private funds of Canadians with respect to such things as housing, industry and commerce within our whole economic and financial system.

Apparently it is only a matter of degree, because the minister agrees that the Bank of Canada should continue to buy the bonds that are issued by the federal government which are required from time to time to take care of maturing issues. The degree should be higher; the amount the Bank of Canada buys should be greater, because we are not holding our own. The increase in net earnings to the Bank of Canada between 1964 and 1965 was up by only $15 million. The situation is better than it has been, but it is not sufficient to reverse the trend in the annual increases in interest required to service the national debt. I hope that very soon we will reach the stage where the earnings derived by the Bank of Canada from holding this public debt will be greater than the increase required to service the debt, so that we will gradually start to move back again to a better financial position.

I have before me a table. It is the table for 1963, not the latest in this regard. It deals with federal, provincial and municipal governments revenue, expenditures and debt. This table is to be found at page 11 of a document entitled "Consolidated Public Finance, Federal, Provincial and Municipal Governments Revenue, Expenditure and Debt," issued by the Dominion Bureau of Statistics. Item No. 21 on page 11 of this document is headed "Debt charges excluding debt retirement." During 1963 the federal government's provision for these debt charges was $822 million, for the provincial governments it was $122 million, and for the municipalities $200 million. The federal government's requirements for servicing the public debt since that year have gone up substantially; in fact, by over $200 million.

The requirements of the municipalities for debt service charges has gone up even more. Therefore this municipal development fund is becoming an urgent matter, one so urgent that municipalities are continually seeking assistance from the provinces, and the provinces in turn are seeking assistance from the federal government. They are asking for more and more money, particularly to meet their debt service charges.

I hope the minister will take these representations seriously and will try to make some adjustment so that we may reverse this trend, not only in absolute but in relative terms with respect to the total revenue, and the fact that the money of the taxpayers of this country is simply being used to meet the servicing of our public debt.

In conclusion, Mr. Chairman, I would say that I do not despair because nothing is being done. The quotations I have read indicate that some progress is being made in this area. We suggest that this progress should be accelerated so that the taxpayers of Canada may look forward to the day in the not too distant future when we will begin decreasing the public debt charges of this country that are such an enormous load upon all levels of government today.

Mr. Nasserden: Mr. Chairman, I have a question for the Minister of Finance. However, before I ask it I should like to express my surprise and disappointment at the extent of the disagreement that now apparently divides the Liberal, Créditiste and Social Credit parties. I remember the day when they were glad to join together to vote for an amendment in support of funny money.

An hon. Member: Debt free money.

Mr. Nasserden: Yes, debt free money. Are we to conclude today that that honeymoon is over? I should like to ask the minister whether it is true that he has lost confidence in the Social Credit party, after witnessing the action of the hon. member for Red Deer, the leader of the Social Credit party, who has admitted that he and his colleagues are unable to cope with the financial problems of their party.

Mr. Gilbert: Mr. Chairman, the Minister of Finance and other hon. members have been treated to Social Credit theories for the last three hours, and I thought I could possibly direct our attention back to the amendments contained in Bill C-190. My colleague the hon. member for Nanaimo-Cowichan-The Islands set forth the position of the New Democratic Party with regard to the amendments contained in this bill. I will deal with a few of the gaps that were left.

• (9:10 p.m.)

He indicated our support for the amendments, the main one being contained in clause 6, which deals with section 14 of the act. This defines the relationship between the Bank of Canada and the government with regard to the responsibility for monetary policy.

According to the explanatory notes to the bill, there is a process of continuous consultation between the government and the bank in this regard, and a procedure is provided whereby, in case of disagreement between the government and the Bank of Canada, the government may issue a directive to the bank as to the monetary policy it is to follow. The amendment also eliminates the power the governor now has to veto any action or decision of the board of directors or the executive committee. This amendment by and large follows the recommendation set out at page 543 of the Porter commission report. It states:

> We believe that central bank independence within the context of government responsibility for monetary policy can best be assured by a dual system of responsibility under which the bank formulates monetary policy and executes it from day to day but under which the government must accept full and continuing responsibility for the policy being followed, although not in the normal course for the details of its execution. The Bank of Canada Act should be amended to make this clear and to provide the Minister of Finance with the right to issue a directive to the bank if the government disapproves of its policy. We believe that this procedure of government direction of the bank's policy should be used only as a last resort and after extensive and conscientious attempts to reach agreement have failed. If such a situation ever arose, its seriousness would call for highly formal procedures designed to focus full and intelligent public discussion on the matter under dispute. We therefore recommend that any directive take the form of an order-in-council to ensure that it receives cabinet consideration; that it be as specific as possible in its terms, making it clear that the government feels the bank has been too restrictive or too expansive in its policy, pointing out in a closely reasoned way how its actions have conflicted with national economic policies, and indicating what steps—including possibly a change in bank rate, market yields, or the cash reserves of the banking system—the government wishes carried out; that it be published with the briefest of delays, say within 15 days of issue; that it be accompanied by a statement from the governor setting out his opinion of the matter; and that it should automatically lapse after 30 days so that it would not become in effect a continuing directive.

The government's amendment to the Bank of Canada Act largely carries out the recommendation of the Porter commission, except that the 30 day period has been amended to "a specified period". This is probably a better arrangement than the one which the Porter commission supported, and yet it still carries out the spirit of the recommendation. Some flexibility should be allowed when a directive is issued so that the consequences of the directive may flow for an anticipated period of either 30 days or longer. Whether a maximum period should be specified is a matter of concern and we would appreciate hearing from the Minister of Finance on this matter.

If the government has the ultimate responsibility for monetary policy, then parliament must have some way of examining it and seeing how it is being carried out. Monetary policy is more than an administrative matter. It has a strong bearing on the economic climate in Canada. All Canadians are affected by its workings. Parliament at the present time has no opportunity to examine this matter in a regular way.

The Third Annual Review of the Economic Council of Canada recommended that three documents should automatically be referred to a standing committee of the house for examination, to help determine the economic policy of the nation. The three documents were: first, the annual review of the Economic Council; second, the white paper on the outlook for private and public investment in Canada; and third, the budget white paper. We in the New Democratic Party would add a fourth document, namely the annual report of the Bank of Canada. This would give members of the house a chance to examine the governor and to inform themselves on the conduct of our monetary policy.

Last Friday the hon. member for Kamloops suggested that clause 9 (5) of this bill and section 72 of the Bank Act be referred back to the standing committee on finance, trade and economic affairs for further representations and study because of the letter of intent issued by the governor of the Bank of Canada to change from a monthly averaging of cash ratios to a twice monthly averaging period 12 months after the act comes into force. We in the New Democratic Party do not agree with the hon. member for Kamloops. Full representations were made before the standing committee, and nothing more could be added. Any further persuasion can

be supplied during the present debate by hon. members supporting the monthly averaging, when the particular clause comes up for debate.

Finally I would like to underline again the suggestion made by my colleague concerning the fact that the Bank of Canada publishes its economic studies in the same way as does the U.S. Federal Board of Reserve. I am not suggesting studies on internal matters, but there must be many studies that could be carried out in this matter. In his appearance before the committee the governor suggested that this might be started. It cannot be started too soon.

Mr. Johnston: Mr. Chairman, I should like to endorse the remarks that have been made by my colleagues, the hon. members for Medicine Hat and Fraser Valley, and also those remarks of the members of the Ralliement Créditistes who have participated with considerable effect in this debate. I might also mention the hon. member for Kootenay West who has expressed some sentiments in this debate not too far from our hearts.

We are very much aware in Canada today of the need for capital to be distributed among the people, and not to be increasingly concentrated in a few hands. Anyone who is in agriculture today knows that his income will no longer depend on the strength of his back but will depend almost entirely on the amount of capital that he can amass, obtain or borrow in order to finance the automation and mechanization of his farm. The government has realized to some extent the need to control the money supply; but, for example, they have concentrated far too much on the housing industry rather than on dealing with the basic problem. For several years the policy of the government has been to allow a small cycle of boom and bust in the housing industry as one of the means of influencing the monetary system in this country.

• (9:20 p.m.)

If you talk to people from the housing industry you will find that their main plea is for sustained financing for that industry, so that they will not be constantly pushed out of business by the fluctuations of the government's policies in this respect. Just the other day the minister's colleague, the Minister of Labour, spoke in Vancouver regarding that industry. The headline on the article in the newspaper is, "Most Private Housing for Middle Class, Labour Minister Says". The article also mentions the need for public housing for a group of people that it has been traditionally assumed could finance their own housing. One would wish the Minister of Labour, as well as the Minister of Finance, would look at the basic problem rather than at some of the tinkering that can be done in an attempt to improve the situation. The Minister of Labour must know, after talking to people in the housing industry, that public housing is the most expensive of all forms of housing that is constructed in this country at the present time. The real cost of housing is not the lumber or the cement but the financing of the money that is necessary for it. It is this problem of financing the debts that are involved in the construction of housing, hospitals, schools and for the development of this country that is one of the greatest problems facing us today.

My colleagues have spoken ably on the question of a municipal development bank, so I shall not spend too much time in that area. However, I feel we still have a need to educate the people of Canada to the significance of the government's monetary policy. We had a wondrous example during the meetings of the finance committee when we heard representatives from the Bankers Association attempt to over-simplify the entire structure of the monetary system. I referred to this last Friday in mentioning the attempt to equate money with all the other commodities with which we are familiar. It was a deliberate attempt to mislead the people of Canada as to the meaning of money, and its place in the economy today. Economists who read that series of reports must squirm as they read these over-simplifications attempted by the bankers, apparently in some hope the people of Canada would be taken in by them and would place the problem of the monetary supply somewhere other than squarely at the feet of the government in power today.

The hon. member for Medicine Hat has spoken about the role of the Bank of Canada in accepting part of the responsibility for the national debt and therefore, in effect, increasing the money supply in the country. I know the governor of the Bank of Canada has said he would rather see the money borrowed from the United States than produced this way by the Bank of Canada, but we in this party feel there is a much greater role for the Bank of Canada to play in monetary policy and in the monetary supply in Canada.

I was happy this evening when the Minister of Finance extended the debate into the international sphere when he said that no country in the world had elected a Social Credit government so far. He of course knows

why. One of the reasons is that the policies advocated by Social Credit as far back as 1935 have been adopted in part by many governments throughout the world, including the government we have in Canada today. Our argument is that governments could go further in adopting some of the policies advocated by Social Credit, and in many cases the partial adoption of these policies has convinced the public that nothing further is needed.

As we move into the technological age we in Social Credit can see that we have not gone far enough, and that a more wholehearted acceptance of our policies will become necessary as we go along. The bill before us of course is related to the problem of international finance, and that problem relates directly to the monetary supply of a country as well.

I should like to refer to an article in the "New Republic" for September 25, 1965 by Nathaniel McKitterick, entitled, "Closed Shop for Monetary Reform". This article contains some suggestions to the leaders of the world with regard to monetary policy and their relationship to the bankers union, which effectively controls monetary policy at the international level. The article reads:

> The Bankers Union is in a bind because its jurisdiction over money—or more precisely over the maintenance of confidence in money—is threatened. And good members of the Bankers Union, like good trade unionists, regard their first duty to be protection of their jurisdiction against intrusion by outsiders.
>
> The threat to the bankers' jurisdiction comes, not from another union, but from responsible political leaders—that is, politicians responsible to the voters for their offices.

I am sure the Minister of Finance must have quivered slightly as he heard the returns from the recent election in France, where the political leadership of that country has adopted monetary policies more orthodox than anything seen in this world for some time, and where the voters of that country have administered a severe setback to that political leadership. The article continues:

> Now, the Bankers Union fears, and with good cause, that responsible leaders may want to reduce the role of gold as an international medium of control in favour of discretionary policies, implemented through the international monetary system, to sustain increasing flows of goods and capital among countries.

We have been asking for this type of greater discretionary policy on the part of this government in relation to the monetary supply of this country. The same policy holds good at the international level as well. This evening we have heard various attempts to ridicule the policies put forward by Social Credit speakers. We might be a little more concerned about that ridicule if it were not a fact that the present international monetary system and monetary thinking, in itself, does not bear examination.

The article continues:

> In this scientific age the sound of otherwise intelligent and responsible men rallying the country to the defence of gold at $35 an ounce (which is the inescapable meaning of a "defence of the dollar" under the present system and in present circumstances) has more in common with a Pawnee rain dance than with stalwart statesmanship.

This has been one of the problems facing the world, that there is no logic in the monetary system that has been built up by accident in the past. Social Credit has been attempting for many years to educate the public to that fact. We have suggested that there are reasonable, logical and sound policies that can be adopted which can get us out of this cycle of boom and bust that we have experienced, and will continue to experience if bold and imaginative measures are not taken.

• (9:30 p.m.)

[*Translation*]

Mr. Grégoire: Mr. Chairman, I shall only take a few minutes to ask again the same question I directed to the Minister of Finance, because I believe he has not answered the question I put to him; maybe he did not understand its meaning.

The Minister of Finance has seen fit to reply to my question mostly in respect of interests that must be paid to the individual investor. In this connection, I would say that I quite agree with him: if a Canadian citizen, or a Canadian company, lends their money to another individual, then I see nothing wrong with an interest on this loan. If in our present system an individual grants a loan of $100 to the federal government to purchase a federal government bond, then it is money that the individual had already which he loans to the federal government. It is normal that savings should bear a profit, that is interest.

A moment ago, I heard the member for Mount Royal (Mr. Trudeau) ask the member for Villeneuve (Mr. Caouette) if he thought that the Canadian citizen, who lends money to the federal government, say $100 for a savings bond, should receive interest? To this I would answer yes. Otherwise, would the individual lend money to the federal government? Surely not, and that is exactly the problem.

We would like the Bank of Canada to finance public development of the country instead of the Canadians themselves, so that

the Canadians, when making savings available for investment, would place them in the development of our natural resources, our secondary industries, and not invest as they now do in the debt of the country. They would rather invest their savings in the development of Canada.

However, it would be necessary for the public sector to dispose of another source of money, and in our opinion, this source should be the Bank of Canada.

According to the minister, the government can only find money from two sources, either through taxation or by borrowing and if it borrows money by issuing bonds, it has to pay back interest. Well, I say to the minister that there is another source of revenue, the new credit created every year and representing this country's development.

The new credit created every year by the banks. We saw this afternoon that the Minister of Finance agreed that credit is created by chartered banks when they make loans. What does that mean and how much does it represent per year? I should like to refer to statistics from the Bank of Canada Statistical Review. The figures I shall quote are taken from the October 1966 issue. The minister may have a more recent edition than mine, but I think this one will suit the purpose I have in mind.

Let us refer, for instance, to page 661 of the October 1966 issue. In the minister's edition, it would be at the very beginning, on page 3 or 4 of the statistical review, or rather on page 4, right after the Bank of Canada reports and before the chartered banks reports. The title is Chartered Banks Monthly Series. It is at the very beginning of the Bank of Canada statistical review.

One finds, for instance, that in 1964 the money supply reached $15,598 million, made up of the cash reserves of chartered banks, $1,263 million, and deposits in Canadian dollars, $15,598 million or on the whole, an average coefficient of 8.1 per cent in cash reserves.

The following year, the same money supply was increased to $17,186 million. That means, then, that during the course of the year, $2,588 million of credit was created, since the money supply for the previous year was $15,598 million. The next year, it was $17,186 million—so there was then an increase, in that single year 1964-1965, of $1,588 million. All this credit was created by the chartered banks of Canada.

[Mr. Grégoire.]

Well, what we would like, is that such a difference, such an increase, such an extension of credit be created by the Bank of Canada rather than by the chartered banks. Those $15,598 million are in circulation, that is a fact; they are in the area of the chartered banks; that sum may be loaned by the banks and bear interest; we are quite ready to admit it.

The following year, when credit is expanded by $1,588 million, such an increase should be created by the Bank of Canada and not by the chartered banks. Not necessarily the entire $17,186 million of 1965, but simply the $1,588 million which should be created by the Bank of Canada to be added to the $15,598 million which was in existence the previous year.

It is the increase and only the increase we would have created by the Bank of Canada and have such increase interest free, because when the chartered banks create it, at the time the chartered banks create such a increase, they will not be required to pay interest to anybody. They lend and the people to whom they lend have to pay the interest. On such an increase, the chartered banks will not be required to pay interest to anyone. It is new money they have created and not money held on deposit, on which they are not required to pay interest to anyone and it is that increase which in 1965 represented compared to 1964, the sum of $1,588 million which could have been created by the Bank of Canada and loaned without interest for the public sector.

Now, let us consider the other year. In September 1966, the last month for which I have statistics, the money supply had increased then to $18,855 million. At the same time, the year before, it stood at $17,186 million. In 1966, that money supply of $17,186 million could be lent by the chartered banks, on interest. This money is already on the market. But since the money supply, at least by September 1966, had increased to $1,869 million and reached $18,855 million, this new increase, corresponding to the development of the country, should be created by the Bank of Canada and lent interest-free to municipalities, school boards and the provinces.

The following year, the money will have reached $18,855 million, and again the increase in the money supply, not that which is already in circulation at the beginning of the year, but that which is produced during the year, and which is being created at the present time by the chartered banks, should be

created by the Bank of Canada and lent interest-free, in the public sector.

What would be the result of this in concrete terms? To take a concrete example, suppose there is an increase of $1,669 million, as happened last year—what happens under the present system? The chartered banks are the ones who create the credit—I have no need to prove that, since the hon. Minister of Finance admitted it in the committee on finance, trade and economic affairs—which is raised by $1,669 million, representing merely the increase and not the part existing already.

Thus the chartered banks create this credit of $1,669 million. They lend it to the federal government, the provincial government, municipalities, or school boards. The banks do not pay interest when they create and lend this sum. However, they charge 6 per cent interest when they lend the money to a government or an individual. The latter return the deposit to the banks, who pay them 3 per cent interest. And this is how one proceeds under the present system.

If there was a system such as the one which we are advocating, the Bank of Canada would create the increase, the credit of $1,669 million which makes up the annual increase over the previous year. The Bank of Canada would grant interest-free loans to Quebec City, Toronto or Winnipeg either for the construction of hospitals, roads or bridges and, I repeat, they would be interest-free loans.

If for instance an amount of $10 million were allocated for the construction of a hospital, this construction would entail the payment of wages and the purchase of materials. Then, those who would receive the wages, those who were paid for building materials would obtain that money and deposit it in the bank, as it is usually done, and the bank would pay them 3 per cent interest and afterwards would lend it again in the private sector at 6 per cent interest.

The difference is that the money in circulation would have entered interest free into the public sector to develop public investments and would come back afterwards in the private sector.

• (9:40 p.m.)

The difference also is that the bank would have the money on deposit before lending it while at the present time, it lends the money without having it on deposit. It has nothing at all; it lends at a 6 per cent interest charge and its loan is again deposited in the chartered banks system at 3 per cent interest.

Under a system such as the one which we are advocating, when some new credit is created, it is created by the Bank of Canada and lent interest free to finance public undertakings and I insist on the word public—such as the construction of bridges, highways, colleges, hospitals, sewers, waterworks, etc.

Those who receive that money afterwards, as wages or as payment for their material, deposit it in the chartered banks, and receive 3 per cent. Then, these banks lend ceive 3 per cent. Then, these banks again lend this money to the private sector at 6 man, is that all public sectors have taken advantage of interest-free loans for public projects instead of private works. If one wants to know what it can mean at any given time, well, the member for Villeneuve spoke about it a while ago, when he said that if this had existed in Canada in the last 50 years, the $1,274 million required to pay interest on today's debt could be used to administer the country. What does this represent? The combined total of family allowances and old age pensions.

Municipalities having to pay interests representing 30, 35 and 45 per cent of their budget would have 30, 35 and 45 per cent more at their disposal in their budget to carry out work projects. And there lies the difference between the existing system and the one we are advocating.

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

Mr. Grégoire: Yes, certainly.

Mr. Caouette: Does the hon. member not think that when he says, for instance, that banks are paying a 3 per cent interest, that it is only on savings accounts? Banks do not pay 3 per cent on current accounts. Now, current accounts are far more numerous and far larger than savings accounts. Then, does not the hon. member think that savings accounts earning a 3 per cent interest constitute in turn a new reserve for the chartered banks under the system of the Minister of Finance and that such a new reserve allows them to multiply again by twelve and a half the amount they can lend through the use of such savings accounts as reserves in the Bank of Canada?

Mr. Grégoire: Mr. Chairman, I agree with the hon. member for Villeneuve when he says that chartered banks do not always pay interest on current accounts, and that on savings accounts, they pay 3 per cent, on the lowest amount deposited during the month.

If a depositor keeps $1,000 in his savings account for a month, and that at the end of that month, he has only $200 left for one, two or three days, it is only the lowest amount that will bear interest.

Mr. Caouette: That is probably why the Minister of Finance has no savings account.

Mr. Grégoire: Not only that, but the federal government maintains,—and I would like to be able to give the correct figure, I could provide it tomorrow, because it is scandalous,—deposits that amount to approximately $300 million.

Mr. Tremblay: No, it is $100 million.

Mr. Grégoire: It would be $100 million according to the hon. member for Matapédia-Matane. I am quite ready to accept that for tonight. However, I will check that answer in the proceedings of the standing committee on finance, trade and economic affairs; anyway, the government keeps, generally speaking and on the average, deposits of the order of $100 million on which the chartered banks do not pay any interest. There are at least $100 million deposited in chartered banks accounts by the federal government, by the Minister of Finance, and on which no interest is paid. The interest would represent $3 million—

Mr. Tremblay: Would the hon. member permit me a question?

Mr. Grégoire: Certainly.

Mr. Tremblay: In the statement he made a moment ago concerning the amount that could be created by the Bank of Canada instead of by the chartered banks, he probably forgot the effect that this reserve could create by the issuing of new money by the Bank of Canada, issuing which would absorb yearly $1,669 million in Canada government bonds and which would enable the chartered banks to create considerable inflation.

Mr. Grégoire: Mr. Chairman, the day when only the Bank of Canada has the right to create credit, the chartered banks will no longer be able to multiply by 12.5 the money, like the reserves, as they do now. Then, the chartered banks will cease to be in a position to contribute to the increase of credit and will not be able to create inflation. Now, it is claimed that the Bank of Canada can absorb part of those $1,669 million. How can it? In 30 years of existence, it has accumulated only three billion dollars' worth of bonds. That is, about $100 million a year. That is nothing compared to the $1,669 million of credit created outright by the chartered banks in 1965. There is the difference. As the hon. member for Matapédia-Matane (Mr. Tremblay) said, the cash reserves must be taken into account. But let us not forget that in 1966, in September 1966, the money supply was $18,850 million. That means reserves of $1,650 million that is 8.08 or 8.1 per cent. This would mean that the chartered banks, with $1,524 million, were allowed to create, over the years, the sum of $18,858 million, which represents the present debt of Canada.

If we have a debt now in Canada, it is reflected, virtually cent for cent, in the creation of credit carried on over the years by the chartered banks. The day we take this privilege to create credit away from the chartered banks, we will have put a stop to Canada's indebtedness because the government will have found a new source of revenue other than taxes and loans, since it, rather than the chartered banks, will create credit, neither more, nor less, but let us say exactly the same amount per year than the chartered banks create.

It is not a matter of putting the money press to work but of doing exactly what the chartered banks are doing, what the Bank of Canada will have to do after getting the authorization of parliament to give back to the Canadian people a real degree of control over credit. Then all the public bodies in Canada would have benefited in 1965 from an interest-free credit increase of $1,669 million.

Mr. Chairman, there is a difference. And that is the question I put earlier to the Minister of Finance and Receiver General. And he answered me by asking me: Do you think the chartered banks should charge interest? I say yes. But on the money they already have on deposit and not on the money they create. That is the difference. Not on the increase in credit which is created by the chartered banks. That is what I am against, Mr. Chairman. The increase in credit, in the money in circulation in Canada does not belong to the chartered banks but to the Canadian people as a whole. If the chartered banks can increase credit it is because the people of Canada have worked hard to produce more; that increase in production is represented by an increase in credit.

Mr. Trudeau: Would the hon. member allow me a question?

Mr. Grégoire: Certainly, Mr. Chairman.

• (9:50 p.m.)

Mr. Trudeau: Am I to understand that the hon. member for Lapointe thinks chartered banks have a definite role to play and that he does not object to it? He seems to say that the creation of credit allows the banks to use unjustifiable practices with regard to interest. If that is the case, how does he explain the fact that money invested in banks gives about the same return as money invested in industry?

Mr. Grégoire: Yes, of course; money invested in banks gives an even greater return than money invested in industry or in any other field. To ascertain it, if the hon. member for Mount Royal disagrees, he need only see how a Bank of Montreal or a Royal Bank share bought 20 years ago has tripled in value today. Even then, the return on it is still 8 or 9 per cent, but on three times the sum actually invested; no other industry gives such dividends today.

The member for Mount Royal should examine the figures I have been given and he will see the light. But I made no comparison between the yield of bank securities and industrial securities. Where I find the role of the banks justified is where they have the privilege of creating credit and to lend it with interest, while the new credit represents the growth of the country and this is something which does not belong to the banks.

Mr. Chrétien: I have a question for the hon. member. I think the committee would be agreeable to facilitate matters for the hon. member to obtain, if he so wishes, a bank charter in his own name, and then we would see how well he would do.

Mr. Grégoire: Mr. Chairman, I am being egged into political partisanship and chicanery when I am trying to express ideas. If that is the only way the parliamentary secretary can reply to the ideas that are being put forward, it means that he has no argument to counter what is being suggested. And if the hon. Minister of Finance cannot reply himself but has his parliamentary secretary give such answers, it is not worth much, Mr. Chairman. If the Minister of Finance has another question it is up to him to put it.

[*English*]

Mr. Sharp: May I ask the hon. gentleman a similar question. Why is there such great difficulty in financing new banks in this country if they are as profitable as suggested by the hon. member?

[*Translation*]

Mr. Grégoire: Mr. Chairman, I do not see that it is so difficult to establish a new bank in Canada. I do not see that it is so difficult. Let the minister tell me what the problems are.

[*English*]

Mr. Sharp: May I remind the hon. gentleman of the testimony that we heard from the Bank of Western Canada, which seems to be having some difficulty in marketing its shares.

[*Translation*]

Mr. Grégoire: Mr. Chairman, the difficulties of the Bank of Western Canada were not due to the lack of funds, but to the fact that too many people wanted to borrow. One had to refuse some of them, as the hon. Minister of Finance knows. Our chief difficulty was that the whole group of British International Finance wanted to borrow from the Bank of Western Canada while the bank authorities did not want to grant them loans. That was the main trouble. It had nothing to do with the banking operations, as the Minister of Finance knows very well. It was only an internal difficulty, and this is what the minister answered to the committee of finance, trade and economic affairs.

But when one tries to discuss and to bring arguments to the minister, he cannot answer. Let the minister answer the arguments I put forward a while ago. Then I will ask the following question:

Why not let the Bank of Canada create the new credit which represents the money supply increase, new credit which will be used to finance public works, instead of letting the chartered banks create such new credit which they lend with interest to individuals?

Why would it not be up to the Bank of Canada to create such new credit, namely the yearly increase, not what already existed formerly, as I was saying a while ago, but the yearly increase in credit? Why would it not be up to the Bank of Canada to create it and to lend it without interest to different

public bodies, be they federal, provincial, municipal or educational, and that money would inevitably return in the banking system and then, the banking system would be able to lend it again with interest; we would accept that. But at the time that new credit is created, why would it not be up to the Bank of Canada to lend it without interest?

Could the minister tell me, could he answer such a precise question, not by evading the point, not by beating around the bush, but by replying directly? Are there any objections to that? Does the minister see any serious objections to the fact that the yearly credit increase would be loaned without interest, to the public, by the Bank of Canada? Could the minister answer that question?

[*English*]

Mr. Sharp: Yes, Mr. Chairman, very great difficulty indeed.

[*Translation*]

Mr. Grégoire: Mr. Chairman, one can tell the minister does not know quite what to say. He says, "Yes, I see many difficulties there indeed." But which difficulties? Can the people of Canada be content with that? The minister admits openly—and he admitted it in his reply to a question of mine—that banks loan 12½ times their cash reserves, while admitting in the same breath, "There is a lot of credit and that is normal; it is healthy and beneficial to chartered banks." The minister accepts that, but can the Canadian people accept that? The minister says, "Yes, I can see many difficulties there." But which difficulties? The Bank of Canada Act is reviewed every decade. In this case, it has not been reviewed in 12 years. I will not be content with answers such as that one. Let the minister tell us what difficulties there are. That is what we demand of the minister, that he tell us what difficulties he sees.

[*English*]

Mr. Sharp: Well, Mr. Chairman, if I may say so once again, I consider that such action would be very detrimental to the interest of the people of Canada because it would be very inflationary, and all of these arguments being presented by the hon. member for Lapointe are simply a camouflage for one of the oldest practices in the world, which is the practice governments have indulged in in the past, and I hope will not indulge in in the future, and that is printing money for the purposes of meeting government expenditures.

[Mr. Grégoire.]

• (10:00 p.m.)

[*Translation*]

Mr. Grégoire: Mr. Chairman, I shall put the question again to the minister, but this time I ask him to be honest. Without minting a single coin—let the minister listen well—without increasing the money supply more than the chartered banks did, not by a penny more than the banks did in the past, the latter did it for $1,588 million in 1965, $1,669 million in 1966, but without doing it for a single penny more, if the Bank of Canada were to do it instead of the chartered banks, and without doing it for a penny more, that would not be inflationary. Perhaps the minister could answer that one. If the Bank of Canada were to do it for not a penny more than the chartered banks did in the past, would that become inflationary just because the Bank of Canada would be involved? If the Bank of Canada did it for not a single penny more, provided, of course, the chartered banks no longer had the right to multiply that by 12?

Naturally, I insist on saying this to the minister: provided the chartered banks no longer had the right to multiply that by 12. But if the Bank of Canada created the same amount as the chartered banks, without multiplying, without having to multiply by 12 like the chartered banks, would that become inflationary? I give notice of that to the minister, so that he can think about it.

An hon. Member: Mr. Chairman—

[*English*]

Progress reported.

BUSINESS OF THE HOUSE

Mr. Monteith: Mr. Speaker, does the house leader intend to announce the same order of business that he announced on Friday?

Mr. McIlraith: Yes, Mr. Speaker.

Mr. Monteith: May I assume at this time it is definite that the Bank of Canada Act will be followed by the Bank Act?

Mr. McIlraith: Yes. I would hope we would make good progress tomorrow.

Mr. Monteith: I trust that you will not have to give the same message tomorrow night at ten o'clock.

PROCEEDINGS ON ADJOURNMENT MOTION

A motion to adjourn the house under provisional standing order 39A deemed to have been moved.

[*Translation*]

PUBLIC BUILDINGS—OTTAWA—CONTRACT FOR DEMOLITION OF OLD PRINTING BUREAU

Mr. Réal Caouette (Villeneuve): Mr. Speaker, the matter I intend to raise tonight—I am happy to see that the Minister of Public Works (Mr. McIlraith) is present—concerns the contract awarded for the demolition of the old printing bureau, a matter uppermost in the minds of the people of Hull and the area.

As a matter of fact, the president of Thibault Lumber stated to *Le Droit,* on Wednesday, March 8, that the federal government, the Department of Public Works in particular, was in fact making a gift of $50,000 to the firm of Cohen & Cohen to which the contract for the demolition of that building was awarded.

Now, following publication of this statement of Mr. Thibault, who incidentally is president of a Hull business specializing in building demolition for 35 years, the Minister of Public Works said to the representative of *Le Droit* of Ottawa:

> Those who had time and competence were invited to bid.

This means that the other contractors within the area and without did not have the time and mainly that were non competent. Those who were invited to bid for a contract of some $100,000—the contract was awarded to Cohen & Cohen for $92,777—without any public call for tenders, through the newspapers, were: Hugh Grant Limited, of Ottawa, $99,000; Teperman and Sons Ltd., Ottawa, $102,420; Greenspoon Bros. Ltd., Toronto, $115,000; Palmer Levitan Ltd., Hull, $117,200 and Hurdman Bros Ltd, Ottawa, $119,750.

Mr. Speaker, I would like the minister to tell us if some French Canadian contractors could not have been asked to submit tenders at that time? What would have been the reaction of the English speaking contractors if the minister had asked French speaking contractors only to submit tenders for the wrecking of the old printing bureau?

I think that this is a clear case of discrimination. There is something else. It has been rumoured in the area that someone in Toronto was asked to submit a tender. Were people in Montreal asked? Were companies in Hull asked to submit tenders for the wrecking of the old printing bureau? No.

Mr. Speaker, when Mr. Thibault claims that he could have done the wrecking for $50,000, that is far less than what the government is now paying, people begin to wonder. Have public funds been fooled around with to play politics? Are the contractors concerned personal friends of the Minister of Public Works? Did the companies agree that the firm of Cohen & Cohen should be awarded the contract for $50,000 or $40,000 more than others could have done the work for? Would there be in this a possible gift to the electoral funds of the Liberal party of the Minister of Public Works? Would the companies not have agreed among themselves, for instance to take $4,000 or $5,000 each and let Cohen & Cohen get the contract for the demolition of the national printing bureau?

Mr. Speaker, I believe there is some discrimination in that case. When we see in other newspapers during the same period that is on March 3—another here on February 24—that for trifles the Department of Public Works is calling for tenders amounting to $2,000 or $3,000 and those calls for tenders have appeared in the *Progrès de Hull* on two occasions: tenders for the removal of ashes and refuse at the testing laboratory of the Department of Public Works to empty trash cans—one wonders what is going on.

To install chemical extinguishers in the Hunter building, tenders have been called, but to demolish a building for an amount of $92,777, the minister answers:

> We then checked the financial stability of each one of those companies.

Does this mean that only these six companies are financially stable? The minister is fully aware of the fact that if he had used the press or a public channel to call for tenders for the demolition of the old printing bureau, perhaps 15 or 20 contractors would have tendered for the contract. For my part, I do not discriminate against anyone; I do not care whether one is English speaking, French speaking, a Jew, a Ukranian, it makes no difference, the party submitting the lowest tender must do the work, unless he is insolvent. It does not take three weeks to find out whether a contractor is solvent or not, as the minister knows; his officers have only to phone the bank manager, who knows about the solvency of contractor Thibault or Filiou or of any other contractor in our area.

Proceedings on Adjournment Motion

Mr. Speaker, when the minister says that only those who could offer financial guarantees were invited to tender, he does not help our small contractors in Hull or the average contractors in our area or in the city of Montreal or in other places in Canada, and he knows it.

Therefore, I say that there was some political intrigue in the awarding of this contract for the pulling down of the old printing bureau. And the minister went on to say:

—the government could not allow itself to wait while a contractor was looking for funds.

He can learn tomorrow of my financial standing by calling the manager of my bank and asking whether my business is profitable or not, whether I am stable enough financially to operate such a business. And as regards a firm such as the Thibault Company, I do not mean that the Thibault Company should have been awarded the contract, but that the Thibault Company, should have had an opportunity to tender as much as the others.

Such is the unfairness of the Department of Public Works, in that some Canadians and other companies have been prevented from submitting a tender under the pretext that time was short and the work had to be done so hastily.

We know for a fact that anyone of those contractors could have demolished the old printing bureau as it can now be demolished and at a lower price than the government is going to pay, out of the taxes of the Canadian people. Let the minister give us some explanation now and tell us why were not all Canadian contractors allowed to submit tenders?

• (10:10 p.m.)

[*English*]

Hon. G. J. McIlraith (Minister of Public Works): Mr. Speaker, the hon. member has raised an interesting plea on behalf of a man in Hull. The facts about this contract are rather simple, and information is available to the public and to anyone in the industry who is interested in it. It is interesting that the man the hon. member speaks about did not come near the department to seek to bid on this matter although he knew, as did all the trade, that the building was coming down.

Public tenders were invited from six firms in the wrecking business who are doing work in this area and all of them bid on the job. I believe the names of the six firms were correctly given. One of them is in Hull, four are in or have branch offices in Ottawa and one is in the western Ontario area. I think the bids and a knowledge of the industry will show that they are certainly not friendly to each other; they are highly competitive. As for suggesting that they are friends of mine, with the exception of two firms I do not think I know any of them; they are merely names in the business.

The situation was that the old printing bureau, which is a rather substantial building, was built very close to one of the few roads connecting Ottawa and Hull, and therefore it can only be wrecked in a certain manner and not by the simple, easy method of what is called ball and chain wrecking. It has to be knocked down and the site cleared and made ready for parking for the centennial show "Son et Lumière" that will be put on starting in the middle of May this year. This is part of getting that project ready. To have advertised the tenders in the newspapers in the ordinary way could have been done, but it would have delayed proceedings somewhat more than three weeks, from 23, to 28 or 29 days.

Mr. Caouette: Oh, oh.

Mr. McIlraith: I am sorry the hon. member interrupts. I did him the courtesy of listening to his remarks and not interrupting. Perhaps it is not too much to expect that courtesy from him in return.

We had to bear in mind the safety measures that will be enforced, which involve certain technical aspects of demolishing this building. We also had to bear in mind the time limit involved. The departmental officials picked the firms most likely to be equipped and able to provide the necessary financial bonding quickly, and invited them to bid. The six firms bid in a range from $92,000 to $119,000, and the contract was immediately awarded to the lowest bid.

Mr. Caouette: That is not an answer.

Mr. McIlraith: It is an answer. I am sorry the hon. member does not understand the answer. I should like to refer to the hon. member's remarks about the ethnic origin of the people bidding. The firms in this business were invited to bid, and no questions whatever were asked about their ethnic origin; and I hope that in this parliament no questions will be asked about the ethnic origin of any person bidding on a Canadian contract. I am very much disappointed in the fact that the hon. member for Villeneuve (Mr. Caouette) has seen fit to interject this note into the matter.

I received this morning a report from a local meeting on political matters in another city adjacent to this. It indicated that the hon. member would raise this point, and why he would. If there is any political background in this matter, it is in the hon. member's ambitions with respect to some elections he expects in the near future.

Mr. Grégoire: That is not an acceptable answer. This is patronage.

OLD AGE ASSISTANCE—BRITISH COLUMBIA—DENIAL TO OLD AGE PENSIONERS OF PROVINCIAL SUPPLEMENT

Mrs. Grace MacInnis (Vancouver-Kingsway): Mr. Speaker, last Friday I tried to draw to the attention of the Minister of National Health and Welfare (Mr. MacEachen) the situation in British Columbia where very large numbers of old age pensioners are being denied the full benefit of the $30 supplementary allowance which has been established recently. This evening I wish to read a form which is being sent out to old age security pensioners who also receive the present provincial government supplementary allowance, which amounts to a maximum of $30. This form is being received throughout British Columbia and it reads as follows:

To: present recipients of supplementary social allowance to their old age security pension, February 20, 1967:

1. In the month you receive a retroactive payment of the federal government guaranteed income supplement, your provincial government will also pay the provincial portion of the supplementary social allowance you received heretofore.

2. In subsequent months, the amount of the provincial government supplementary social allowance to which you will be entitled will be based on your actual needs in accordance with the information shown on your file. If further information is required, you will be contacted either by mail or by a social worker.

3. It is regretted that this review has to be made, but it is due to the fact that the federal government would not agree to exempt the guaranteed income supplement when determining entitlement to supplementary social allowance.

4. Receipt of the guaranteed income supplement, however, will not affect your health services and the medical card you presently hold will continue to be valid unless you are notified to the contrary.

I would point out that the over-all effect of these principles will mean that thousands of both single and married pensioners will not receive the full benefit of the new $30 federal allowance. What the federal government gives them on the one hand will be taken away by the provincial government on the other.

We find that the federal and the provincial governments are blaming each other. Undoubtedly both are correct in doing so. However, the initial responsibility must rest with Ottawa for a number of reasons. Last fall there was a situation where the old age pension was very far from meeting the needs of the old age pensioners, and obviously something had to be done. The government had been warned by many agencies, including the committee on aging, a year ago last January, that the very least that was necessary for a decent income for a single person living on old age pension was $138. All the government needed to do was to make an across the board increase under the old age security legislation of 1951 with no questions asked and no strings attached, and of course it would take back in income tax what was not needed. It was not a case of giving to millionaires; it was a simple giving out to those people who needed it and taking back in the regular form of income tax from people who did not need it. However at that time the government was anxious to prove itself guiltless of imposing a means test. It used fancy language of all kinds and it prostituted the term "guaranteed income" which, it had no business using.

The government was so anxious to prove itself guiltless of a means test that it established very complicated means test regulations. I have been going through them and I do not see for the life of me how old people can be expected to understand how to work out those things by themselves. Most of their neighbours and friends, to say nothing of some of their members of parliament, would be hard put to it to explain all the complications to the elderly people.

• (10:20 p.m.)

In addition to making these elaborate means test regulations, the federal government failed to do what it should have done, and what was vitally necessary, that is to hold talks with the provinces to make sure that the provincial supplement would not be diminished when the federal supplement was given. Some of us drew this to the attention of the government at the time. I pointed out that it was most essential to know that the provincial supplement would not be withdrawn. At the time, we had no satisfactory reply from the federal government. The federal government took no care to see to it, when it gave the supplement, that it was geared to the real income needs of the elderly people.

In addition to that, of course, the mini-budget added to the discomfort of elderly

people by shortening up their living allowance even more by the addition of 1 per cent to the sales tax, raising it to 12 per cent. This bore very heavily on most of the things these people need. I want to say that as a result of all this thousands of pensioners in British Columbia, single and married, are not receiving and will not receive the full benefit of the new $30 federal allowance.

I want to know what action this federal government proposes to take to see to it this situation is rectified. I do not know whether the same situation exists in the other provinces, but I do know that it exists in British Columbia. I know the problem is the result of the federal government's failure to see to it by seeking agreement with the government of British Columbia that such would not be the case. I believe the federal government should not permit itself, nor should it be allowed to permit these elderly people to be kicked like footballs back and forth between the two governments. There should be something done now, to clarify and rectify the situation. I ask what that action is going to be.

Mrs. Margaret Rideout (Parliamentary Secretary to Minister of National Health and Welfare): Mr. Speaker, I will not comment on what the government of British Columbia may be saying about the federal government in relation to supplementary allowances. I am, however, happy to be able to clarify the situation.

The payment to old age security pensioners of the guaranteed income supplement is intended to ensure that all old age pensioners will be guaranteed a minimum income of $105 a month. Where provinces have been paying supplementary allowances, the cost of which has been shared by the federal government, the need for such payments will be substantially reduced with a consequent saving to provincial treasuries. It has been made clear to all provinces, Mr. Speaker, that where the combined old age security and guaranteed income supplement are insufficient to meet the need of pensioners, the federal government will continue to be prepared to share with the provinces in the costs of additional supplementary allowances based on need. There is no ceiling on the level of federal contribution for this purpose, it being left to the provinces to determine the amount of the supplementary allowances it wishes to pay.

I might note, Mr. Speaker, that in determining the need for supplementation, it will be apparent to members that the payments by way of old age security and the guaranteed income supplement should be taken into account. I might add also that, through the Canada Assistance Plan, the federal government is now able to share, for the first time, in the costs of health care and welfare services. The provision of federal contributions to these services will enable the provinces to provide these important services without incurring the burdensome costs that they would otherwise face.

Motion agreed to and the house adjourned at 10.27 p.m.

HOUSE OF COMMONS

Tuesday, March 14, 1967

The house met at 2.30 p.m.

PRIVILEGE

MR. LAMBERT—ALLEGED IRREGULARITY IN DEFENCE ESTIMATES

Hon. Marcel Lambert (Edmonton West): Mr. Speaker, I rise on a question of privilege which affects the members of this house and parliament generally. Briefly the question is as follows. Yesterday the President of Treasury Board tabled the estimates for the fiscal year ending March 31, 1968. Reference to pages 308 and following, dealing with the Department of National Defence, will disclose what I submit is a gross irregularity having regard to the law as it stands today and, in particular, to the National Defence Act and the Financial Administration Act.

I would say in support of my contention that these estimates in connection with the Department of National Defence are contrary to existing law as provided in section 15 of the National Defence Act, which reads as follows:

> The Canadian forces are the naval, army and air force of Her Majesty raised by Canada and consist of three services, namely, the Royal Canadian Navy, the Canadian Army and the Royal Canadian Air Force.

Reference to vote 15 of the estimates as they appear at page 316 of the blue book will show that these estimates are based on the premise of a single unified service, something which is not founded in law today. For this reason the estimates are improperly set out, and as a consequence parliament will be asked to vote money and supply in a manner contrary to the existing law.

I say this without prejudice to the determination which may be made by this house at some time in the future, and I do not say that this house will have to consider all these estimates before the passage of Bill C-243. However, by the end of this month the government will come forward with a request for interim supply and will be asking this house to provide one twelfth or more of next year's supply on the basis of the estimates now put forward.

I put it to Your Honour that the passage of estimates based on a single unified service would be contrary to the National Defence Act, and contrary also to sections 24 to 26 of the Financial Administration Act both in letter and in spirit. Section 24 reads as follows:

> Subject to the British North America Acts, 1867 to 1951, no payments shall be made out of the consolidated revenue fund without the authority of parliament.

Section 25 reads:

> All estimates of expenditures submitted to parliament shall be for the services coming in course of payment during the fiscal year.

Parliament cannot act outside the law and today, as we are facing these estimates, the law provides that there shall be three services. The National Defence Act has not been amended, and I therefore maintain that these estimates as presented, bearing in mind the necessity of the government asking for interim supply by the end of March, constitute an abuse of the privileges of this house.

• (2:40 p.m.)

Therefore I move:

> That the book of estimates for the fiscal year 1967-68, as presented, be withdrawn and revised to show proposed expenditures for the Department of National Defence in conformity with existing law.

Mr. Speaker: Order, please. As the hon. member for Edmonton West knows, it is the duty of the Chair in the first instance to determine whether there is a prima facie case of privilege. The matter which the hon. member is now submitting for the attention and consideration of the Chair is of considerable substance. Let me suggest to the hon. member and others who support his cause that perhaps we should hear arguments as to whether there is a question of privilege, after which the Chair may be given an opportunity to reflect on the matter before making a judgment.

I submit that perhaps it would not be proper in respect of such a serious matter for the Chair to render an immediate decision. It is my feeling that it would be helpful to hear arguments and precedents which hon. members may wish to submit for the guidance of the Chair. In my view that should be done before we proceed with other matters.

Hon. D. S. Harkness (Calgary North): Mr. Speaker, I submit that here there is an open

and shut case of privilege. It is quite clear from an examination of the estimates presented in previous years that provision in each case was made for the expenditures of the navy, the army and the air force. Certainly the house is entitled to a full disclosure of the sums to be spent for each of those services. This is the first time the estimates have been presented without any mention whatsoever of the three services. I suggest, therefore, they were prepared in this form on the basis of the hope of the Minister of National Defence of getting from this parliament the authority to create a single unified force.

That authority has not been granted, and the bill in respect of this unified force is still before the standing committee for consideration. It has not been reported back for consideration by the house. Under those circumstances the estimates should have been presented in the form in which they have been presented for many years past. This would enable members of the house to determine the amounts being voted for each of the separate services as provided for by the National Defence Act.

On looking back at the estimates of the Department of National Defence for the year ending in 1966 we find that vote 15 provided for the operation and maintenance and construction or acquisition of buildings, works, land and major equipment for the Royal Canadian Navy, the Canadian Army, and the Royal Canadian Air Force. The amounts involved were then listed, first for the navy, then the army and then the air force.

In looking at the estimates for the past fiscal year which ends in 1967 we find that the vote has been changed to some extent. In this case vote 15 is worded in this way:

> Operation and maintenance and construction or acquisition of buildings, works, land and major equipment and development for the Canadian forces—

I noted this difference last year but paid little attention to it because the unification bill had not been introduced, and because following that description there were listed the expenditures for the navy, the army and the air force in detail, just as they had been listed for previous years. These details are to be found in the blue book on estimates at page 268 and following for the fiscal year ending in 1967.

I would take it that what the Minister of National Defence did last year was take a nibble at this business, and instead of the nomenclature of the vote being as it had been previously, to provide funds for the Royal

Canadian Navy, the army and the air force, that nomenclature was changed to provide for the expenditures required for the Canadian forces. However, as I say, I paid little attention to that because the expenditures for each of the forces were still detailed in the way in which they always had been.

But this year we find a complete change. Not only is the name of the vote changed from what it had been, but in the estimates which were presented to us yesterday there is no mention whatever of the navy, army or air force; and there is no means, by going over the estimates, of determining how much money is to be spent for each of these three services, which exist by law. As a result there is no means by which one can compare the expenditures proposed for this year with the expenditures of last year and previous years. Thus I think the estimates as presented quite palpably do not give the members of the house a true picture on the basis of which we are being asked to vote funds. Therefore they should be withdrawn and submitted in a proper form in accordance with the law as it stands.

Hon. Gordon Churchill (Winnipeg South Centre): Mr. Speaker, I am supporting the question of privilege and the motion that has been based on it. It is quite obvious that this is a really serious matter and is another indication of the methods by which the present government is attempting to evade parliamentary responsibilities and attempting to prevent parliament from maintaining its control over the voting of money in this house. We had an earlier experience of this type of thing when we were dealing with interim supply last fall. We discovered that the government had altered the terminology in one of the sections dealing with the Department of Finance and had placed into a contingency fund millions of dollars, whereas in other years they had been satisfied with a million or two. As I say, we discovered that last fall.

This, of course, put us on the alert as to what is happening in the year 1967, and immediately we discover another attempt to circumvent the will of parliament by altering the terminology in the estimates and the headings in the book of estimates, contrary to the law of the land. It is becoming a bit of a trial, watching day by day what the government is up to with regard to parliament. I am not normally very suspicious—

Some hon. Members: Oh, oh.

Mr. Churchill: —but I am being compelled to adopt an inquisitive attitude with regard to things that are happening in parliament, and with some justification. Surely we are entitled to have the government act within the law; or is this an unusual request? We will let the pundits work out that one. But other people have to act within the law, and my opinion is that the government should also.

• (2:50 p.m.)

Although the government has been anticipating an alteration in the National Defence Act, that change has not yet become operative. The unification bill was passed over, our opposition last fall and now is being studied by the committee. It has to come back to the house and be dealt with here in committee of the whole and on third reading. In the interval it may be substantially altered; who knows? Perhaps the Acting Prime Minister, if left in charge for a month rather than a week, would have this bill withdrawn and use his sound common sense with regard to the operation of parliament. This is the uncertain situation with which we are faced; the unification bill has not yet been passed, yet the estimates have been prepared as if this bill had been passed.

From my experience on the government side these estimates are started in the late summer; they go through a tortuous process; they are subjected to examination by the Treasury Board, finally are approved by the cabinet, and the blue book is printed and presented to the house. It is a long process, presented to the house. It is a long process, diligence was shown on the other side of the house these estimates were prepared in the normal manner and therefore this new terminology must have been used last summer or in the early fall, even before the unification bill appeared on the order paper.

In this situation we in the House of Commons are unable to determine whether the amount of money required is adequate for the purposes intended, as we have no means of making a comparison with other years. We do not know whether the Canadian navy is going to be supported as it was in other years, or whether its funds will be depleted and it will be virtually wiped out of existence, which we suspect may happen. We do not know whether the air force is going to be sustained as it was in the past. Here in the estimates everything is lumped together. How can the house make a sensible decision with regard to the amount of money requested unless the estimates are divided, as they have been in the past, in accordance with the law of the land? This is what makes this a really serious matter of privilege.

The minister, in his speech on December 7, informed us that some sections of the act might not be proclaimed immediately after the bill is passed. We have been told by the chief of the defence staff that the proclamation of the bill will wait until he has authorized the minister to have it proclaimed. So there is great uncertainty as to whether the bill will be proclaimed this year even if it is passed by the house in its present form.

I submit that these estimates are based on supposition. If you follow the argument a little further, sir, you may be inclined to think other departments intending to bring in some change in their organization might do what the Department of National Defence has done, that is introduce changes in their estimates for the next year based on the expectation that some alteration in the act pertaining to their department may take place. This opens the way to substantial alterations in the financial control of this country as normally exercised by the House of Commons.

Mr. Speaker, I would not object if Your Honour took a little time to think this over because it is a matter of major importance to the house, and it is possible that in the course of your contemplation the Acting Prime Minister will see that something should be done and will effect the necessary changes. Perhaps Your Honour will not have to make a decision on this matter, because with such an experienced person heading the government at the present time I am sure this question can be settled without a major debate in the House of Commons.

Hon. Paul Hellyer (Minister of National Defence): Mr. Speaker, in reply to this alleged breach of privilege I would like to say first of all that the form used in the blue book this year is not contrary to the National Defence Act in its present form. I should like to say it has nothing to do with unification of the armed forces or the bill now being considered by the committee on defence. I should like to state also that the wording of the vote this year is exactly the same as it was last year.

In support of that statement I should like to read the two votes. I am reading from last year's book, 1967, page 265, the vote for defence services, vote 15:

Operation and maintenance and construction or acquisition of buildings, works, land and major equipment and development for the Canadian forces and $1,750,000 for grants to the town of Oromocto.

This vote was for the fiscal year which will end at the end of this month. Now the vote which is requested in this year's book, 1968, as recorded on page 308 under the same heading, "defence services" and the same vote No. 15, reads as follows:

Operation and maintenance and construction or acquisition of buildings, works, land and major equipment and development for the Canadian forces and $1,850,000 for grants to the town of Oromocto.

Mr. Speaker, with the single exception of the amount of money involved in grants to the town of Oromocto and a subsequent bracketed admonition, "details page 316", the two votes are absolutely identical. The only difference—

Mr. Diefenbaker: Would the minister say where the Royal Canadian Navy is?

Mr. Hellyer: The only difference is in respect of the details. This, I think, is not only logical but essential. The details for the fiscal year commencing April 1 next are based on the integrated forces as they are presently administered. It is not possible to segregate by services all the costs involved in operating the services in the year ahead, notwithstanding the fact that they are still three legal entities, the Royal Canadian Navy, the Canadian Army and the Royal Canadian Air Force.

If I may, I should like to give some examples of that in respect of maritime command. As hon. gentlemen are aware, Mr. Speaker, maritime command consists of elements of the Royal Canadian Navy and the Royal Canadian Air Force.

Mr. Lambert: It always did.

Mr. Hellyer: The information which is really pertinent to parliament in making up its collective mind in respect of the expenditures for the year ahead is information concerning expenditures related to that particular function of maritime command.

Mr. Lambert: It was split last year.

Mr. Hellyer: The situation is similar in so far as other commands are concerned, Mr. Speaker. For example, the way training command has been organized during the course of last year it would be physically impossible, without entailing administrative costs which would be ridiculously high and cumbersome and certainly not in the public interest, to maintain records on a single service basis because training command is organized to provide basic training, individual training, including flight training to wing standard for the men and women of the three armed forces, the navy, army and air force.

In so far as materiel command is concerned, precisely the same problem arises. Although materiel command still has under its jurisdiction the three separate supply systems, during the interval and until a single supply system can be developed which will eliminate some duplication or triplication, which will permit the consolidation of bases and which will permit considerable savings and at the same time the implementation of a more effective logistic system for our armed forces, it is impossible to segregate in materiel command the costs which are attributable to the Royal Canadian Navy, the Canadian Army and the Royal Canadian Air Force.

• (3:00 p.m.)

Mr. Speaker: Order, please.

Mr. Hellyer: Mr. Speaker, I will only be a moment or two.

Mr. Speaker: Order. I want to be fair to the minister because other hon. members who have taken part in this debate on the question of privilege raised by the hon. member for Edmonton West were given considerable latitude, and certainly the minister is entitled to the same consideration. However, from listening to hon. members, and particularly to the arguments advanced by the minister and by the hon. member for Winnipeg South Centre, I have the impression that this line of reasoning is of the kind which would be advanced more reasonably if the Chair recognized that there was a question of privilege and a motion were submitted to the house.

It seems to me that would be the time when arguments in support of or in opposition to a proposed motion should be advanced by hon. members. The very limited point of concern to the Chair at the moment is whether there is a question of privilege. No doubt many of the points advanced by hon. members might be quite relevant if this matter were before the house, whether by way of consideration of the estimate itself or the estimates in general or by substantive motion. But the one point the Chair has to consider now and on which I will reflect later on is whether there is a question of privilege here.

Mr. Hellyer: Mr. Speaker, that was really the point to which I was addressing myself,

but in the process I had to explain that during the course of the last year the organization of Canada's forces has been changed. Whereas previously the supply system, for example, had been organized on the basis of the three individual services, it is now combined under one command which has the responsibility for supplying the three services. Similarly, Mr. Speaker, where previously each service administered its own training, there is now one single training command which provides service to the Royal Canadian Navy, the Canadian Army and the Royal Canadian Air Force. Therefore, Mr. Speaker, it is essential that the cost of that command be recorded on a single unit basis rather than on a tri-service basis.

In view of your suggestion in this respect, Mr. Speaker, may I say this. If I recall correctly there was some suggestion in the public accounts committee that a change be effected in the method of reporting proposed expenditures and of breaking them down in order to give members of parliament a more meaningful appreciation of how this money was being spent. The real object of changing the details in this year's book—that is, for the fiscal year commencing April 1—is to give members of parliament a more meaningful appreciation of how vote 15 is being expended.

For example, the change has been made to show whether the money under that vote is being taken up, or what proportion of the vote is being used, by the maritime function, the mobile command function, the air defence function and the various other functions all of which are included in the single vote 15.

As I was saying, Mr. Speaker, though I speak from memory, I think there was a suggestion in the public accounts committee that the department of defence should undertake this kind of breakdown and make it available to members of parliament for their study in order to permit members to have a better appreciation of what is involved by way of defence expenditures, and in order to assist them in making up their minds as to the relative priority of various functions being performed by Canada's defence services.

Under these circumstances, Mr. Speaker, I think it is perfectly fair to say that this is in no way anticipating the unification bill. This new method is not related in any respect whatever to the unification bill; it is only an attempt to give parliament more meaningful information. Not only is it not attempting to circumvent the will of parliament; on the contrary it is implementing an instruction of parliament to change the form of the details in such manner as to make them more comprehensible to members studying the proposed expenditures, and to make it possible for them to have a more realistic discussion of the relative merits of the expenditures being made in the years that lie ahead.

Therefore, Mr. Speaker, it is only a reflection of the organization of the forces at the present time as permitted by the law passed by parliament in 1964. In my opinion it does not raise any question of privilege whatever, and therefore I respectfully suggest that there is in fact no question of privilege here.

Mr. H. A. Olson (Medicine Hat): Mr. Speaker, it seems to me that the alleged question of privilege before us concerns the form in which estimates were presented to this house in the blue book tabled yesterday. I suggest to Your Honour that there may have been some change here from the previous practice; therefore I cannot accept the argument of the minister that only the details have been changed. Surely the details contained in the blue book are an integral part of the estimates and of the form of the estimates. I should like to refer to a citation to be found at page 736 of May's 17th edition:

> In accordance with the royal direction, estimates are annually laid before the House of Commons, stating the specific grants of money which will, during the current year, be required for the navy, the army, the air force, the civil departments, and the ministry of defence.

Then on the next page, under the heading "Form of the estimates", there is this statement to be found:

> As the Sovereign is responsible for the presentation of the estimates of the public expenditure, the Crown, acting through its ministers, controls, subject to the requirements of the Exchequer and Audit Departments Act, 1866, the form in which the estimates are presented.

Then under paragraph (c) there is the statement that under established usage, however, important changes in the customary form of the estimates should not be made without the previous approval of the public accounts committee. I am not sure whether the public accounts committee have considered the form of the estimates of the Department of National Defence and in fact have approved these changes. Then paragraph (d) reads as follows:

> —acting on behalf of the House of Commons; and, in deference to this principle, official alterations in the estimates are restricted to such rearrangements as involve no question of principle.

If the changes do in fact involve a question of principle so far as the organization of the

armed forces is concerned—a question that, as Your Honour knows, is now before a standing committee of this house—then I suggest there is in fact a rearrangement that is prohibited by the precedents. I suppose that when we get to the point where this house is asked to vote interim supply on these estimates we are going to be faced with a problem, Mr. Speaker. I think that was one of the points made by the hon. member for Edmonton West.

However, Mr. Speaker, until we do get to that stage I suggest that there is no question of privilege; because as I read the motion moved yesterday by the President of the Treasury Board it was a motion that these estimates be placed before this house. It was not a motion to deal with the estimates. According to page 13875 of *Hansard* the President of the Treasury Board said:

> Mr. Speaker, I should like to table copies in English and French of the main estimates for the fiscal year ending March 31, 1968—

That is not a motion putting these estimates before the house for consideration. None of them has been entered at this point, so I therefore suggest there can be no question of privilege at this point. The estimates have simply been tabled in the house.

So I submit, Mr. Speaker, that while there may be a question of privilege when we are asked to approve either part or all of these estimates and it is found that the form has been rearranged, I do suggest to Your Honour that at this point there is not. In addition, Mr. Speaker, when we reach the stage where we require interim supply, if this occurs before the consideration of the armed services act now before the committee is completed, it may then be necessary for the Minister of Defence or somebody to withdraw the estimates of the department of defence and substitute therefor estimates in a form that does in fact comply with the previous practice.

In my submission, Mr. Speaker, we have not reached that stage yet. As of this date, therefore, I see no question of privilege.

• (3:10 p.m.)

Mr. A. D. Hales (Wellington South): Mr. Speaker, I think the matter is as plain as this. Yesterday the President of the Treasury Board tabled the estimates of the various departments of government for this house to peruse, so that the members may be ready to discuss them on a future occasion. The minister presented the estimates in the way estimates are supposed to be tabled, showing what money each department will need in the ensuing year under conditions established or set up in that department, according to what parliament may approve. Estimates are governed by the constitutions of departments.

The estimates for the Department of National Defence were not tabled in this way. They were not tabled according to the constitutional set-up of the Department of National Defence as it now exists.

Mr. Hellyer: Quite the contrary.

Mr. Hales: The constitution of the department may be changed later, after this house has debated the point. The point is that these estimates are tabled on the basis of what the new department will be under unification.

Mr. Hellyer: The hon. member is three years out of date.

Mr. Hales: The estimates, therefore, for this particular department were not tabled in their proper form. As a result I say that the minister has tabled a wrong set of estimates for this department.

It is quite true that the public accounts committee recommended that the various votes be as clear and concise as possible while giving all the information that it is possible to give, that members of the house may vote intelligently on the expenditures listed under each vote. I cannot refer to these votes in detail, but taking a quick glance at the new estimates of the Department of National Defence one sees that no figures for personnel are given, as were given in the previous year. Details are not given, under headings of votes, though these details were given last year. So it is clear that the estimates are not tabled in the form recommended by the public accounts committee.

I say the government has asked this house to study a set of estimates which do not conform with the constitution of the Department of National Defence. If this house is to study these estimates at a later date they must be put in the form they appeared in previous years, until such time as parliament passes or rejects the unification bill.

Hon. Paul Martin (Acting Prime Minister): Mr. Speaker, the house should recall what the hon. member for Medicine Hat said in the concluding part of his observations, that all that has happened with regard to this matter

thus far is the tabling of the book of estimates. No action has been taken by the government to implement these estimates; the government has not yet asked parliament to accept the recommendations contained in these estimates.

There has been no change in the votes. It is often the practice, of course, for changes to be made in details. In the particular matter being discussed there has been no change whatsoever in the vote. The only legal effect that could result from any action by parliament would be a vote by this house on a proposed item designated as one of the items to be voted on in the Department of National Defence.

My hon. friend the member for Medicine Hat I think was in error when he said the practice was to first give the public accounts committee an opportunity of passing on the estimates before this house is called on to deal with them.

Mr. Olson: I said the form of the estimates.

Mr. Martin (Essex East): I see. I was about to observe that that is not our practice. The House of Commons in the United Kingdom follows that procedure; we do not. There is no motion to deal with the estimates; all that has happened is that they have been tabled.

The question before you, Mr. Speaker, is not whether the argument of the hon. members for Winnipeg South Centre and Edmonton West is to be accepted on the facts as stated. As Your Honour said, the question before the Speaker is a simple one; is the matter raised by the hon. member for Edmonton West a question of privilege? The Minister of National Defence has said that it is not, and I think he is supported by the observations made in Beauchesne, to be found in the fourth edition at page 99. Subsection (3) of citation 109 says:

> It is declared to be a breach of privilege for a member, or any other person, to publish the evidence taken before a select committee, until it has been reported to the house.

I am not raising a question of privilege on what has happened today, but I might well have done so on the basis of this interpretation. It is not open to any member of this house to publish or to utter any evidence placed before a parliamentary committee until that committee has made a report to this house. Referring directly to the question of privilege and turning to page 102 of Beauchesne—

Some hon. Members: Oh, oh.

Mr. Martin (Essex East): My hon. friends laugh, but it is not open to any member of this house at any time to raise any question about any proceeding in any committee, or to refer to any evidence before that committee, until a report has been made to the house. Citation 113 of Beauchesne says:

> Members often raise so-called "questions of privilege" on matters which should be dealt with as personal explanations or corrections, either in the debates or the proceedings of the house. A question of privilege ought rarely to come up in parliament. It should be dealt with by a motion giving the house power to impose a reparation or apply a remedy.

That has not been done, as Your Honour observed a few moments ago. There are privileges involving the house as well as individual hon. members. Beauchesne lists wilful disobedience to orders and rules of parliament in the exercise of its constitutional functions, insults and obstructions during debate. These are breaches of the privileges of the house. Such matters are not before Your Honour. Continuing reading from citation 113 of Beauchesne the following statement appears:

> But a dispute—

This, I argue, is relevant:

> But a dispute arising between two members, as to allegations of facts, does not fulfil the conditions of parliamentary privilege.

What do we have today? We have had nothing more than an allegation as to facts presented by the hon. members for Edmonton West, Winnipeg South Centre—

An hon. Member: And Calgary.

Mr. Martin (Essex East): I beg your pardon. The hon. member for Calgary North has also spoken. What was said did not involve a question of privilege. Those hon. members presented an argument based on a different interpretation of facts. It is clear, Mr. Speaker, that there has been no prima facie case of privilege. In fact no case of privilege whatsoever has been established. We have merely had a disputation between two hon. members about a set of alleged facts not yet before this house for its approval. The argument has been in terms of the decision which parliament ultimately must make on the recommendation put forward by the government with respect to the blue book of estimates.

For those reasons and for the reasons brought forward in citation 113 of Beauchesne's fourth edition I submit that the only

question before us is whether there is a question of privilege, and clearly this is not a question of privilege.

• (3:20 p.m.)

Right Hon. J. G. Diefenbaker (Leader of the Opposition): Mr. Speaker, the house has listened to the words of wisdom of the dean of the house, and it was of interest that included in his presentation was a spanking of the Minister of National Defence. He pointed out that it was very wrong for anyone to refer to evidence in a committee until that committee had reported. This was the very thing that had been done by the Minister of National Defence; and if the debate so far has been effectual in any way it has certainly been so with the contribution of the Acting Prime Minister in putting the Minister of National Defence in his proper place.

Some hon. Members: Hear, hear.

Mr. Hellyer: Explain.

Mr. Diefenbaker: This is just another example of the flagrant manner in which this minister defies parliament with the passage of the days. I have seen examples of it multiplying, the attitude of the minister being that after all ministers have a right to unalloyed arrogance.

Mr. McIlraith: Order.

Mr. Pickersgill: What about leaders of the opposition?

Mr. Diefenbaker: The hon. gentleman used to be over here. He qualified fully. It is the arrogance of a minister endeavouring to trample on the rights of parliament.

It is said that this book of estimates really means nothing. If it does not mean anything, for what reason was it presented? It is now before the House of Commons and we will be asked, when a motion is made for interim supply and the vote on it takes place, to grant that supply on the basis of the estimates in the book that is now before us.

What has taken place here is very clear. In 1966-67, as one reads the defence estimates, one finds references to various elements in the defence forces such as Royal Canadian Navy, Royal Canadian Naval Reserve, Royal Canadian Sea Cadets, and so on. I realize that under this government "royal" has become a dirty word.

Some hon. Members: Shame.

[Mr. Martin (Essex East).]

Mr. Diefenbaker: I repeat it; "royal" has become a dirty word.

Some hon. Members: Shame.

Mr. Speaker: Order, please. Can we have order, please?

Mr. Muir (Cape Breton North and Victoria): The truth hurts.

Mr. Diefenbaker: Then, if it has not, why is it being removed? Every possible vestige of our royal connection is being removed by this government, and it is now done in the estimates.

Mr. Martin (Essex East): On a point of order, Mr. Speaker, you said a moment ago that in view of the statements made by the hon. member for Winnipeg South Centre and the hon. member for Edmonton West you would allow a certain latitude. For that reason you allowed the Minister of National Defence to reply to certain statements that were made.

I can only assume from that observation that there has been enough discussion of matters that are not properly before the house, and I submit to Your Honour with the greatest respect that the only issue now is whether this is a question of privilege. If that ruling is not made now I suggest the right hon. gentleman will go on introducing irrelevancies, creating confusion, instead of addressing himself to the only question before the house. I feel it is surely not too much to ask the right hon. gentleman who, along with whoever is acting head of the government in this house is an officer of the house, to recognize that we both have a responsibility—

Some hon. Members: Oh, oh.

Mr. Martin (Essex East): —to see that the rules are observed; and my right hon. friend knows that the only question now before the house is whether this is a question of privilege, and nothing else.

Some hon. Members: Hear, hear.

Mr. Speaker: Order, please. I have to recognize that the Leader of the Opposition has the right to make observations on the question of privilege, and I am sure he will limit his consideration to the question of privilege.

Mr. Diefenbaker: Mr. Speaker, I always like to sit at the feet of Gamaliel, but when it comes to his views on rules, disregard of the

rules has generally been his course through the years.

Before I was interrupted in that very improper manner I was referring to the estimates as they were in 1966-67, and was pointing out that alterations, significant ones, have taken place. My hon. friends opposite object strenuously to any suggestion that "royal" has become anathema—

Some hon. Members: Order.

Mr. Diefenbaker: What was the reason, then, for its omission from the estimates? What reason can be given?

Mr. Speaker: Order, please. It may well be that the right hon. gentleman has a second question of privilege, but my understanding of the question of privilege raised by the hon. member for Edmonton West is that it is not related to the grievance to which the Leader of the Opposition refers at this time.

Mr. Diefenbaker: With the greatest deference, Mr. Speaker, the hon. member for Edmonton West referred to the complete change in so far as the estimates are concerned, and I am referring in particular to one change that to me is very significant. Why this change; why this alteration? What parliament is being subjected to is an attitude of mind on the part of the Minister of National Defence. He believes he can trample on the rights of members and force down the throat of this house his peculiar idea of unification of the forces. That is what it means and nothing else.

This is simply a means whereby he would gratify his desire to do that which parliament has not yet decided. He places before us estimates having no reference to the regular rules upon which estimates are founded and prepared, and the hon. member for Wellington South has said there has been no recommendation for any change that has been passed by the house.

That being so, is parliament simply to become a puppet in the hands of the minister? Is he to be privileged to produce the kind of estimates that he desires to gratify his own particular ego? Sir, if ever there was a breach of privilege this is clearly one.

Mr. Pickersgill: Certainly this speech is one.

Mr. Diefenbaker: This parliament did not authorize—

Mr. Pickersgill: Talk about egoes.

Some hon. Members: Oh, oh.

Mr. Diefenbaker: Mr. Speaker, I bow with deference to that perpendicular "I" over there. This matter, sir, is just another example. The minister says the reason for it is to help parliament understand, and that it would cost money to follow the usual course. For a government that is going to spend $1,200,000,000 more this coming year to worry about the cost of a few dollars to produce a fair and proper book of estimates is the most specious argument that could ever be advanced. The Minister of National Defence is asking parliament to accept a mish-mash rather than the estimates that have been accepted through the years. He is trying to anticipate what parliament is going to do, and get his way before parliament has the right finally to determine the question. We cannot permit parliament to knuckle under to Caesar.

Some hon. Members: Hear, hear.

• (3:30 p.m.)

Mr. Andrew Brewin (Greenwood): Mr. Speaker, I can present my submissions to Your Honour very briefly. I understand the hon. member for Edmonton West to have based his question of privilege on the proposition that the estimates as presented to the house prejudge the decision of this house on the unification bill. If this were the case, a question of privilege might arise. But in my submission it is not the case.

As the Minister of National Defence pointed out, this form of presenting the estimates is perfectly appropriate whether or not the unification bill is passed. What has happened is that the estimated expenditures have been grouped under the different roles and commands which were set up under the legislation of 1964. In my view this method of presenting the estimates is an improvement over the previous method and in no way prejudges our determination of the unification issue. In fact, in the defence committee some of the members, including myself, suggested it would be a clearer and more satisfactory way of presenting the facts to the house. This being the case I suggest there is no question of privilege, that the question raised is without substance, and that we need not be detained with it any longer.

Mr. Speaker: If the hon. member for Rosthern feels he can contribute something substantial in connection with the question of privilege—

Some hon. Members: No, no.

Mr. Speaker: —he has every right to do so.

Inquiries of the Ministry

Some hon. Members: Hear, hear.

Mr. E. Nasserden (Rosthern): Mr. Speaker, after some of the ill-defined statements which have come from across the way, any member of the house might feel he had something to contribute to this debate.

I will be very brief. I wish to refer to citation 106 of Beauchesne, to be found on page 96, since I would like Your Honour to take it into consideration when you are determining whether or not there is a valid question of privilege before us. Paragraph 1 reads as follows:

> Although either House may expound the law of Parliament, and indicate its own privileges, it is agreed that no new privileges can be created. In 1704, the Lords communicated a resolution to the Commons at a conference, "That neither House of Parliament have power, by any vote or declaration, to create to themselves new privileges, not warranted by the known laws and customs of Parliament".

The way in which these estimates have been drawn up this year represents a departure from one of the customs of parliament.

Paragraph 2 says:

> The dignity and independence of the two Houses are in great measure preserved by keeping their privileges indefinite. If all the privileges of Parliament were set down and ascertained, and no privilege to be allowed but what was so defined and determined, it were easy for the executive power to devise some new case, not within the line of privilege, and under pretence thereof, to harass any refractory member and violate the freedom of Parliament.

That is exactly that the minister is trying to do. He is trying to violate one of the freedoms of parliament.

Mr. Speaker: Perhaps I should mention to the hon. member that I meant to say "something additional", not "something substantial". It was, if the hon. member for Macleod will allow me to use a Latin expression a lapsus linguae.

HATE LITERATURE

APPOINTMENT OF HOUSE MEMBERS OF JOINT COMMITTEE

Mr. Bernard Pilon (Chambly-Rouville) moved:

> That the following members be appointed to represent the house on the special joint committee on the question raised by the resolution concerning hate literature, namely:—Messrs. Baldwin, Forest, Gauthier, Klein, Leboe, Lewis, Mandziuk, Mongrain, Nasserden, Reid, Tolmie and Walker.
>
> That a message be sent to the Senate to acquaint their Honours thereof.

Motion agreed to.

[Mr. Speaker.]

FINANCE

TARIFF BOARD REPORT ON MACHINERY FOR FRESH FRUIT AND VEGETABLES

Hon. Mitchell Sharp (Minister of Finance): Mr. Speaker, I should like to inform the house that I have tabled today copies in English and in French of a report by the Tariff Board on reference 137 which covers machinery and equipment for fresh fruit or fresh vegetables. I have tabled also a transcript of the evidence presented at the public hearings held by the board.

I can assure hon. members that the board's recommendations will be considered carefully by the government. Interested parties who may wish to comment on this report should do so promptly.

PUBLIC SERVICE

IMPLEMENTATION OF RECOMMENDATIONS OF GLASSCO COMMISSION

On the orders of the day:

Right Hon. J. G. Diefenbaker (Leader of the Opposition): Mr. Speaker, my question is directed to the Acting Prime Minister. In the light of the warning by the governor of the Bank of Canada that the Canadian economy is being overloaded, and in view of the astronomical and runaway federal spending indicated in the estimates for 1967-1968, will the Prime Minister report to parliament in the very near future as to the steps the government is taking now to implement the Glassco recommendations to eliminate government waste inasmuch as Canadians are wondering whether the world of waste under this government is to go on unchecked?

Hon. Paul Martin (Acting Prime Minister): Mr. Speaker, a great many of the recommendations of the Glassco commission have, of course, been implemented, some by the right hon. gentleman but more by the present administration. The government is giving consideration to further ways in which the implementation of these recommendations can take place. I should like to point out, however, with regard to the right hon. gentleman's observations, that the expenditures which are reflected in the estimates before the house are estimates based upon decisions made by this free parliament.

Some hon. Members: Hear, hear.

Mr. Diefenbaker: A world of waste.

EXTERNAL AFFAIRS

REPRESENTATIONS TO U.S. RESPECTING CUBAN TERRORIST ACTIVITIES

On the orders of the day:

Mr. T. C. Douglas (Burnaby-Coquitlam): Mr. Speaker, I wish to direct a question to the Acting Prime Minister. Has his attention been drawn to a statement made in Miami by Felipe Rivero, who claims to be the co-ordinator of the Cuban nationalist movement, admitting the responsibility of his organization for the bombing of the Cuban embassy in Ottawa last October and for the bombing of an auction room in Montreal last Saturday, as well as threatening that persons who visit Expo are liable to be in danger if they enter the Cuban pavilion? Have any representations been made to the United States government with reference to this organization which has sought refuge in the United States and is apparently using that sanctuary as a base for terrorist activities against a friendly neighbour.

Hon. Paul Martin (Acting Prime Minister): Mr. Speaker, I have not seen the statement attributed to someone in Miami. I am aware, of course, of the incident which took place in Montreal on March 11 and of another incident last fall. I can say that the government is concerned about the recent bombing in Montreal for which Cuban exiles have claimed responsibility. At the present time an investigation in which the R.C.M.P. is co-operating is under way. With regard to the question of further threats, the government is well aware of this danger and we are taking appropriate steps in co-operation with the police forces in an attempt to prevent further incidents of this kind.

Mr. Douglas: I have a supplementary question I should like to direct to the Acting Prime Minister. While we all appreciate the fact that the United States has given sanctuary to exiles and refugees, does the minister not think that representations should be made to that government asking it to curb the activities of this group which, by their own admission, are going to indulge in terrorist activities in Canada?

Mr. Speaker: Order, please. It is my feeling that the question asked is argumentative.

Mr. Douglas: I did not intend it to be argumentative, Mr. Speaker. If Your Honour thinks it is I shall simply rephrase the question and ask the Acting Prime Minister whether or not he intends to make any representations to the government of the United States asking it to curb the activities of this organization so far as Canada is concerned.

Mr. Martin (Essex East): Mr. Speaker, discussions are taking place with the United States.

THE CANADIAN ECONOMY

RECOMMENDATION BY O.E.C.D. RESPECTING WAGES AND PRICES

On the orders of the day:

Mr. H. A. Olson (Medicine Hat): Mr. Speaker, I should like to ask the Acting Prime Minister whether the government is aware that the Organization for Economic Co-operation and Development, of which Canada is a member, yesterday issued a statement urging Canada to take steps to control the rise in wages and prices, and whether there were any suggestions as to how Canada should take these steps.

Hon. Paul Martin (Acting Prime Minister): Yes, Mr. Speaker, the government has been made aware of this report through its representative at the O.E.C.D. and this matter is the subject of careful consideration as outlined the other day by the Minister of Finance.

Mr. Olson: I have a supplementary question. Would the Acting Prime Minister or the Minister of Finance indicate whether the report contained any suggestions as to how Canada should achieve this objective?

Mr. Speaker: Order, please. I do not think that is a proper question.

[*Translation*]

GRAIN

QUEBEC—POSSIBLE SALE OR LEASE OF ELEVATOR

On the orders of the day:

Hon. Théogène Ricard (Saint-Hyacinthe-Bagot): Mr. Speaker, I have a question for the Minister of Transport.

Would he give us every assurance that the operation of the grain elevators in Quebec city will remain under the authority and ownership of the National Harbours Board?

[*English*]

Hon. J. W. Pickersgill (Minister of Transport): No, Mr. Speaker, I cannot give any such undertaking. I can give the hon. gentleman the undertaking that the elevator will remain under the jurisdiction of the board of grain commissioners as a public elevator.

Inquiries of the Ministry

NATIONAL DEFENCE

U.S. CONCERN RESPECTING CANADIAN ANTI-SUBMARINE CAPABILITY

On the orders of the day:

Mr. W. B. Nesbitt (Oxford): Mr. Speaker, I should like to direct a question to the Acting Prime Minister. Does the presence in Ottawa today of so many senior officers of the United States navy indicate the grave and understandable concern of the United States regarding the increasing inability of the Canadian navy to carry out its continental anti-submarine defence responsibilities?

Mr. Speaker: Order, please. I am sure the hon. member will recognize that the question is not acceptable in that form.

OLD AGE SECURITY

INCOME SUPPLEMENT—GRATUITY TO RETIRED N.S. COAL MINERS

On the orders of the day:

Mr. Robert Muir (Cape Breton North and Victoria): Mr. Speaker, my question is for the Minister of National Revenue. I sent him notice, albeit short, when I came into the house. For the purpose of clarification will the minister advise whether the small gratuity received by retired Nova Scotia coal miners from the Dominion Coal Company and its subsidiaries will be considered as income in calculating the amount that will be payable under the guaranteed income supplement?

Hon. E. J. Benson (Minister of National Revenue and President of the Treasury Board): Mr. Speaker, the amount of the guaranteed income supplement is a subject for determination by the Department of National Health and Welfare. I will take the hon. member's question as notice and supply him with an answer this afternoon.

Mr. Muir (Cape Breton North and Victoria): I have a supplementary question, Mr. Speaker. In view of the fact the Department of National Health and Welfare has advised me that this is the responsibility of the Department of National Revenue I hope the minister will be able to provide an answer.

DOMINION-PROVINCIAL RELATIONS

BRITISH COLUMBIA—PROPOSED ESTABLISHMENT OF HARBOUR COMMISSION

On the orders of the day:

Mr. Frank Howard (Skeena): Mr. Speaker, I should like to ask the Minister of Transport

[Mr. Pickersgill.]

whether he has any knowledge of a bill introduced by the government of British Columbia yesterday in the legislature seeking to set up a provincial harbour commission to engage in operating, maintaining and developing harbours, particularly in the lower mainland? If so, will the minister consider that bill in relation to the injury it could cause to the potential development of northern ports?

Mr. Speaker: Order, please. The hon. member is making representations and suggestions to the minister, and I do not think this is a proper question.

Mr. Howard: I did not intend to do that, Mr. Speaker. Perhaps I could simply ask the minister whether he has any knowledge of such a bill being introduced and what steps he is taking in this regard.

Hon. J. W. Pickersgill (Minister of Transport): Mr. Speaker, I learned through the press and as the result of a report I received from the port manager of the port of Vancouver that a bill with 36 clauses purporting to set up a B.C. harbours board was introduced yesterday in the British Columbia legislature by the attorney general. I have also been made aware of certain allegations by the attorney general which bear no relation so far as I can discern to the facts. He has apparently suggested that the B.C. government must take this action because the federal government is not carrying out its responsibility in the port of Vancouver. That statement is untrue and I resent it very much. There are certain functions provincial governments have to perform under the constitution which should occupy the full time of provincial governments.

Mr. Speaker: Order, please. Perhaps I should comment *ex post facto* that both the question and answer appear to be out of order. Let me suggest to hon. members that questions relating to provincial legislation should not be asked at this time. If hon. members adopt the custom or get into the habit of referring from day to day to legislation introduced in provincial parliaments this might take up most of the time allotted for questions. I recognize the hon. member for Trois-Rivières.

Mr. Howard: May I be permitted to ask one small supplementary question?

Mr. Speaker: Order, please. I have recognized the hon. member for Trois-Rivières.

[*Translation*]

TRANSPORT

TROIS-RIVIÈRES—PROTESTS RESPECTING INCREASE IN SEAWAY TOLLS

On the orders of the day:

Mr. J.-A. Mongrain (Trois-Rivières): Mr. Speaker, I have a question for the Minister of Transport and I assure him that this is not the kind of question that will raise blood pressure.

Can the minister advise the house whether he received this morning a telegram from the directors of the national harbours at Trois-Rivières, objecting to any increase in tolls on the St. Lawrence seaway or in the Welland canal, and mentioning also that the Trois-Rivières city council last night passed a unanimous resolution asking the minister to do something to prevent such toll increases?

[*English*]

Hon. J. W. Pickersgill (Minister of Transport): Mr. Speaker, just before coming into the house I made some inquiries, but up to that point no such telegram had reached my office.

POLLUTION

REQUEST FOR REPLY TO TELEGRAM OF CALGARY ASSOCIATION

On the orders of the day:

Right Hon. J. G. Diefenbaker (Leader of the Opposition): Mr. Speaker, I do not expect the Acting Prime Minister will be able to make an immediate reply to my question but it is an urgent one and requires some answer very soon. Mr. Cronkite, chairman of the Calgary Fish and Game Association, sent a telegram to the Prime Minister last week asking for a declaration by the government of Canada on the subject of pollution. Since the meeting of the association takes place tomorrow, will the Acting Prime Minister make sure that a reply is sent?

Hon. Paul Martin (Acting Prime Minister): Mr. Speaker, I shall be glad to look into this matter.

HOUSING

INQUIRY AS TO INTRODUCTION OF FURTHER LEGISLATION

On the orders of the day:

Mr. Heward Grafftey (Brome-Missisquoi): Mr. Speaker, in view of the answer given yesterday by the Minister of Labour in repect of Canada's current housing crisis, I should like to ask him whether the government intends to take action before the end of the current session in order to give some hope to many Canadians who right now are looking for decent housing facilities.

Hon. J. R. Nicholson (Minister of Labour): Mr. Speaker, the question as to what should be done and when in the housing field is under constant review by the government. We have already taken many progressive steps which now are having beneficial results. When we decide on further steps an announcement will be made at that time.

Mr. Grafftey: I have a supplementary question. In view of the urgency of the situation and the necessity of taking immediate action, can the minister inform the house now that his cross-country symposiums and study sessions are to be brought to an end?

Mr. Nicholson: If the hon. member had been following the newspapers he would know they have been concluded.

Mr. D. V. Pugh (Okanagan Boundary): Mr. Speaker, I have a supplementary question for the Minister of Finance which is not based on a newspaper or any other report but on a statement made by the governor of the Bank of Canada concerning the drop in Canadian housing starts. Will the minister now consider removing the sales tax on building materials?

Hon. Mitchell Sharp (Minister of Finance): No, Mr. Speaker.

Mr. Grafftey: I have a further supplementary question, Mr. Speaker. In view of the minister's remarks regarding the newspaper reports, can he now inform the house what have been the results of the symposiums, and when we can expect definite action, in view of the present crisis?

Mr. Speaker: Order, please. The hon. member is asking for a ministerial statement and this cannot be done on questions.

EXTERNAL AFFAIRS

SUGGESTED DECREASE IN AMOUNT OF FOREIGN AID

On the orders of the day:

Mr. R. Gordon L. Fairweather (Royal): Mr. Speaker, I have a question for the Secretary of State for External Affairs. I am wondering how the minister reconciles the decrease in the over-all foreign aid program, as disclosed in the estimates, with the following statement

of the Prime Minister recorded in *Hansard* of January 23, page 12096:

> We aim to reach a total of 1 per cent of the national income within a short period of time.

Mr. Speaker: Order, please. It seems to me that the question as asked is argumentative in nature.

[*Later:*]

Mr. Fairweather: Mr. Speaker, although I fail to see how my request for reconciliation of the estimates with the Prime Minister's statement can be classified as argumentative I will try again by addressing myself to the Secretary of State for External Affairs. I should like to ask him whether next year's estimates disclose an over-all reduction in foreign aid.

Hon. Paul Martin (Secretary of State for External Affairs): No, Mr. Speaker, they do not.

Mr. Speaker: Order, please. The hon. member for Royal, if I interpret his question correctly, is asking for information which is available to him in the same way as it is to other hon. members, and therefore the question is not in order.

[*Later:*]

Mr. Fairweather: Mr. Speaker, can the Secretary of State for External Affairs tell the house why the estimates disclose an over-all reduction in foreign aid?

Mr. Martin (Essex East): Mr. Speaker, I said in answer to that question that there is not. The statistical story which appeared in this morning's *Globe and Mail* is an inaccurate one. Our aid appropriations have been significantly increased in recent years and they have increased in this centennial year. In summary, if the special, non-recurring items are excluded, there is a net increase in aid appropriations of $42.70 million. These figures refer to aid only and do not include ECIC (Section 21-A) credit—

Mr. Speaker: Order, please. The hon. member for Winnipeg South Centre on a point of order.

Mr. Churchill: Mr. Speaker, I rise on a point of order. Earlier today we were prohibited from discussing the estimates for the coming year. We were told that we could not discuss them until they are referred to parliament for study. Now the Acting Prime Minister is commenting on the book of estimates.

[Mr. Fairweather.]

Mr. Speaker: Order, please. I am sure the hon. member for Royal should have borne in mind the representation or suggestion now made by the hon. member for Winnipeg South Centre. I must bring to the attention of the hon. member for Royal that the question, even as asked the third time, was still out of order. I am sure I should not have allowed it. However, having done so I suppose the Acting Prime Minister was entitled to reply to it. The point raised by the hon. member for Winnipeg South Centre is well taken and I suggest that perhaps this would be a good time to call orders of the day.

Mr. Martin (Essex East): Mr. Speaker, may I make one further point? I do not think it is fair for the hon. gentleman to suspect his own colleague who has asked the question.

Mr. Speaker: Order, please.

GRAIN

REQUEST FOR INCREASE IN PRICE UNDER INTERNATIONAL WHEAT AGREEMENT

On the orders of the day:

Mr. Jack McIntosh (Swift Current-Maple Creek): Mr. Speaker, yesterday I addressed a question to the Minister of Agriculture, who happened to be absent from the house and his parliamentary secretary said he would take the question as notice. My question had to do with the announcement yesterday by the Minister of Transport that there would be an increase in the tolls on the St. Lawrence seaway which would be reflected in the cost of producing wheat. I ask the minister whether he has done anything under the international wheat agreement to increase the price of wheat to the producer.

Hon. J. J. Greene (Minister of Agriculture): Mr. Speaker, I believe the subject matter of the question comes more directly under the responsibilities of my colleague the Minister of Trade and Commerce, but I can assure the hon. member that our representatives at Geneva are working actively and forcibly to see to it that the western wheat farmers get a fair shake in any new world wheat agreement.

An hon. Member: It is about time.

[*Later:*]

Mr. Reynold Rapp (Humboldt-Melfort-Tisdale): Mr. Speaker, my question is directed to the Minister of Trade and Commerce but in his absence perhaps another minister would answer it. The minister has returned

from Geneva where he was engaged in the renegotiation of the international wheat agreement. Can the house be informed what progress has been made in increasing the price of wheat?

Hon. Paul Martin (Acting Prime Minister): Mr. Speaker, the Minister of Trade and Commerce and several other colleagues are out of the house at the moment on matters that are of importance. This is why they had to leave. We have had a long question period and they had to keep a very important appointment. The Minister of Trade and Commerce will deal with this question tomorrow, and I think my hon. friend may be very happy with the very able way in which the minister carried out his assignment in Europe the other day.

BANKRUPTCY

REQUEST FOR INVESTIGATION BY ROYAL COMMISSION

On the orders of the day:

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, I wish to address a question to the Minister of Justice. It is a question of great concern to many people and is of national importance. In view of the growing fraudulent bankruptcy racket in Canada and the statement made by Commissioner McClellan of the Royal Canadian Mounted Police that the underworld is on the verge of controlling all sections of our economy, has the government given consideration to the request made by the Canadian Lumbermen's Association and other organizations for a royal commission to investigate all aspects of bankruptcy in Canada?

[*Translation*]

Hon. Guy Favreau (President of the Privy Council): Mr. Speaker, that question concerns my department and notice of it was referred to me by the Minister of Justice and Attorney General (Mr. Cardin).

Without necessarily accepting to its full extent the assertion made in the first part of the question, I must say that all representations, all recommendations are under constant study by the minister as well as by his officials and special advisers.

In that respect, I must remind the house that a three-member committee has been appointed and that it is now carrying out an active study of the economic, social and legal aspects of the Bankruptcy Act.

I am confident that as soon as I get that report I will be in a position to make all the recommendations I deem appropriate or to refer all committee recommendations, if I feel that is necessary.

[*English*]

INQUIRY OF THE MINISTRY

On the orders of the day:

Mr. Howard Johnston (Okanagan-Revelstoke): Mr. Speaker, I should like to address a question to the Acting Prime Minister. It is a question of grave national importance. Could the Acting Prime Minister tell the house whether the appointment of a governor general will await the return from western Canada of the president of the Quebec Liberal Federation, who is already reported as saying that Canadians should begin questioning the usefulness of the post of governor general and has promised to enlarge on that thesis during his western tour?

LABOUR RELATIONS

RAILWAY DISPUTE—APPOINTMENT OF ARBITRATION BOARD

On the orders of the day:

Mr. John M. Reid (Kenora-Rainy River): Mr. Speaker, my question is for the Minister of Labour. Is the minister in a position to announce when the board of arbitration will be set up to deal with the two groups of striking railway employees?

Hon. J. R. Nicholson (Minister of Labour): I cannot announce anything definite today, Mr. Speaker. I can state, however, that the work on the regulations is well advanced and, as I have already advised the bargaining committee of some of the railway unions concerned, I hope to announce appointment of the board of arbitrators and table the required regulations on or about Monday next, certainly not later than Tuesday.

NATIONAL DEFENCE

HALIFAX—REQUEST OF DOCKYARD COUNCIL RESPECTING PAY RATES

On the orders of the day:

Mr. J. M. Forrestall (Halifax): Mr. Speaker, my question is for the Associate Minister of National Defence, or if he is unable to answer it perhaps it might better be directed to the President of the Treasury Board. In any event, I should like to ask either of them

Inquiries of the Ministry

what action has been taken to meet the request of the dockyard trades and labour council in Halifax for one rate for labourers employed in the maritimes area by the Department of National Defence as opposed to the four rates in effect at the present time, which indeed is a discriminatory situation.

Mr. Speaker: Order, please. The question is of a rather detailed nature and I suggest to the hon. member that it should be placed on the order paper.

CANADIAN BROADCASTING CORPORATION

REQUEST FOR FURTHER INFORMATION ON DISTRIBUTION OF COLOUR TELEVISION SETS

On the orders of the day:

Mr. C. S. Smallwood (Battle River-Camrose): Mr. Speaker, I have a question for the Acting Prime Minister. As we are aware, the Canadian Broadcasting Corporation spent over $80,000 for 107 colour television sets, and on this morning's news it was announced that the officials of the C.B.C. were so arrogant as to inform the public that they had no intention of revealing the names of the people who had received these television sets.

Mr. Speaker: Order, please. The hon. member has to ask a question, not make a statement.

Mr. Smallwood: This is just a preface to my question, Mr. Speaker. I am coming to the question now.

Mr. Speaker: The rules indicate that the hon. member cannot have a preface to his question.

Mr. Smallwood: I will rephrase the question, Mr. Speaker. I should like to ask the Acting Prime Minister whether he will introduce legislation to compel the C.B.C. to reveal to the public the names of the 90 people who received colour television sets so that the taxpayers will know how their money has been wasted by the C.B.C. I ask that legislation be introduced to compel the C.B.C. to reveal these names, because they have refused to do so.

Mr. Speaker: Order, please.

[*Translation*]

AGRICULTURE

INQUIRY AS TO PERSONNEL OF FEED GRAIN BOARD

On the orders of the day:

Hon. Théogène Ricard (Saint-Hyacinthe-Bagot): Mr. Speaker, I should like to put a question to the Minister of Forestry and Rural Development. Is he in a position to give us the names of the members of the Canadian Livestock Feed Board?

Hon. Maurice Sauvé (Minister of Forestry and Rural Development): No, Mr. Speaker. I had hoped to make a statement tomorrow, but there will a delay of a week to ten days.

Mr. Ricard: A supplementary question, Mr. Speaker.

Since cattle breeders consider this matter as very urgent, when will the minister be in a position to make that information public?

Mr. Sauvé: Mr. Speaker, as I have already said in my answer, within the next ten days.

[*English*]

INQUIRY AS TO ANNOUNCEMENT OF DAIRY POLICY

On the orders of the day:

Mr. H. W. Danforth (Kent (Ont.)): Mr. Speaker, in order to clear up some understandable confusion in the industry, may I pose this question to the Minister of Agriculture. The government has indicated that a statement on the dairy policy for this year will be made prior to April 1. Will this policy be enunciated by the Minister of Agriculture or by the new National Dairy Commission?

Hon. J. J. Greene (Minister of Agriculture): There will be a statement made in the house, Mr. Speaker.

REQUEST FROM PROVINCIAL PREMIERS FOR NATIONAL CONFERENCE

On the orders of the day:

Mr. Ed. Schreyer (Springfield): Mr. Speaker, my question is directed to the Minister of Agriculture. Has he received from any of the provincial premiers, the premier of Manitoba in particular, any request for the convening of a national conference on farm prices, costs and income?

Hon. J. J. Greene (Minister of Agriculture): Yes, Mr. Speaker. Some time ago we received a request from the premier of Manitoba for the convening of a national farm conference but I think its object was broader than was indicated by the hon. member.

Mr. Schreyer: A supplementary question, Mr. Speaker. Can the minister indicate to the house what course of action the government is taking with respect to that request?

EGGS—INQUIRY AS TO GOVERNMENT ACTION RESPECTING IMPORTS

On the orders of the day:

Mr. E. Nasserden (Rosthern): Mr. Speaker, I have a question for the Acting Prime Minister. In view of the information contained in parliamentary return No. 2696 tabled in the house yesterday, which indicates that imports of eggs have increased by 250 per cent during the past year, can the minister tell us what action the government proposes to take with regard to this unhealthy situation?

Mr. Speaker: The hon. member is asking for a ministerial statement. This is certainly not a question which can be asked now.

[*Later:*]

Mr. Nasserden: Mr. Speaker, may I rephrase my question to the Acting Prime Minister? In the light of the situation revealed by this return, will the government bring the operations under the stabilization board before the committee on agriculture, forestry and rural development?

Hon. Paul Martin (Acting Prime Minister): Mr. Speaker, of course I cannot make an omelet without breaking eggs, but I will refer that question to the Minister of Agriculture.

Mr. Nasserden: Surely the Acting Prime Minister could indicate whether the government would consider bringing the operations under the stabilization board with regard to eggs before the parliamentary committee?

Mr. Martin (Essex East): I have already done so.

Mr. Nasserden: Would the Minister of Agriculture indicate what the situation is at present?

Hon. J. J. Greene (Minister of Agriculture): Mr. Speaker, I understand the ham is on the other side of the house; we have the eggs.

An hon. Member: Let the minister look at himself.

INDIAN AFFAIRS

DISTRIBUTION OF HAWTHORN-TREMBLAY REPORT

On the orders of the day:

Mr. F. J. W. Fane (Vegreville): Mr. Speaker, I wish to direct a question to the Minister of Indian Affairs and Northern Development. Will he order the distribution to members of parliament of part 1 of the Hawthorn-Tremblay report which was tabled in the house last Friday? So far I have not received a copy.

Hon. Arthur Laing (Minister of Indian Affairs and Northern Development): Mr. Speaker, I am very sorry about this. I understand that the hon. member attempted to get a copy yesterday. He could have secured one by telephoning my office. However, today a general distribution was made to all members of parliament.

Mr. Frank Howard (Skeena): I have a supplementary question, Mr. Speaker. The other day I addressed a question to the Minister of Industry—I did not know at the time that it was addressed to the wrong minister—about the distribution free of charge of a copy of the Hawthorn-Tremblay report to each of the Indian bands in order that they may have access to it as well. Is the minister in a position to make any comment about that?

Mr. Laing: No, Mr. Speaker, except to say that I think it is important and should be done.

AIR CANADA

INQUIRY AS TO PROPOSED ABANDONMENT OF SERVICE IN SASKATCHEWAN

On the orders of the day:

Mr. Jack McIntosh (Swift Current-Maple Creek): Mr. Speaker, I have a question for the Minister of Transport, who I believe reports to the house for Air Canada. Can he inform us whether the Air Transport Board has received an application from Air Canada to abandon all service in Saskatchewan?

Hon. J. W. Pickersgill (Minister of Transport): Mr. Speaker, I do not think there is the faintest likelihood of this having happened, but I suppose I should go through the motions of inquiring.

Mr. Lawrence Watson (Assiniboia): I have a supplementary question, Mr. Speaker. When the minister is looking into the question of air service in Saskatchewan, would he inquire whether and when Regina and Saskatoon will get jet service?

Mr. Pickersgill: I will be glad to do that.

SHIPPING

REQUEST FOR SAFETY INSPECTION OF STEEL HULLED TOWBOATS

On the orders of the day:

Mr. Frank Howard (Skeena): Mr. Speaker, may I direct another question to the Minister

of Transport. I am certain this one will evoke a less volatile answer than the last one did, and I am sure it is in order. Last Thursday I asked him about a communication he may have received from the Canadian Merchant Service Guild relating to towboats on the Pacific coast. Is the minister in a position to reply now?

Hon. J. W. Pickersgill (Minister of Transport): Mr. Speaker, as a matter of fact I have a very carefully worded reply somewhere and I have had it in the house for two or three days. I was looking for it just when the hon. gentleman asked his question but I do not think I have it with me today. Since the subject is very technical I think it would be wise for me to stick to my text.

BANK OF CANADA ACT

AMENDMENTS RESPECTING DIRECTION OF MONETARY POLICY, CASH RESERVES, ETC.

The house resumed from Monday, March 13, consideration in committee of Bill C-190, to amend the Bank of Canada Act—Mr. Sharp—Mr. Batten in the chair.

The Chairman: When the committee rose yesterday clause 1 of the bill was being discussed and the hon. member for Lapointe had completed his speech in the time allotted to him.

On clause 1.

• (4:10 p.m.)

[*Translation*]

Mr. Grégoire: Mr. Chairman, on the point of order, I had not finished my allotted time; quite the opposite, I was just starting. I had finished part of my remarks when the Minister of Finance (Mr. Sharp) rose to speak for a few minutes. Not being satisfied with the remarks of the Minister of Finance, I rose again, that is I was properly recognized again after listening to a statement of fifteen or twenty lines by the Minister of Finance. So I started over again and I had barely been speaking three or four minutes when the sitting was adjourned last night.

That is why I believe that on starting over again today—

[*English*]

The Chairman: I recognize the statement made by the hon. member for Lapointe, but I am sure he will recognize the fact that the statement made by the Minister of Finance was in answer to a question. The hon. member had completed his 30 minutes at that time. I would be pleased to listen to the hon. member again after somebody else has made a contribution.

[*Translation*]

Mr. Grégoire: Mr. Chairman, on a point of order. If you will kindly refer to *Hansard* for yesterday Monday, March 13, 1967, on page 13946, you will find that my time was up. The Minister of Finance then rose and gave some explanations. Afterwards, I rose again, being the only one to do so after the explanations from the Minister of Finance, and I was recognized by the chairman of the committee; so, I started to deliver my statement. However, only three or four minutes had elapsed when I called it ten o'clock, because I thought that I could continue today with the same statement I had started last night at the end of the sitting.

Unless I am mistaken, Mr. Chairman, the rules state that when we study a bill in committee of the whole, the member who has the floor at ten o'clock is entitled to continue the day after, as is the case when the house is sitting, with the Speaker in the chair. Furthermore, the rules of this house also state that when we are considering a bill in committee of the whole, we have the right to speak as many times as we wish; of course, our time is limited, but if another member takes the floor after one of our statements, we are allowed to speak again. So, I humbly submit to Your Honour that this is exactly what happened yesterday, and that is the reason why, at the end of the sitting, I called it 10 o'clock.

[*English*]

The Chairman: Order. The Chair is not at all willing to accept the argument now being presented by the hon. member for Lapointe. I have before me *Hansard* for yesterday and the indication is that the minister was asked a question by the hon. member which the minister answered. At that time the hon. member for Lapointe had used the time allotted to him. As I said before, the Chair will again recognize the hon. member for Lapointe when some other member of the committee has made a contribution. The Chair recognizes the hon. member for Three Rivers.

[*Translation*]

Mr. Mongrain: Mr. Chairman, I rise on a question of privilege. With all due respect, may I point out that you have identified me as

the member for Three Rivers whereas the known designation of my constituency is Trois-Rivières.

[*English*]

The Chairman: The Chair apologizes to the hon. member for Trois-Rivières.

Mr. Mongrain: I hope I did not hurt the feelings of the Chair, and I apologize if I did.

[*Translation*]

Mr. Chairman, I cannot let the study of Bill No. C-190, an act amending the Bank of Canada Act, go on without pursuing a little further the matter I discussed the other day, at which time I mentioned that when we speak of finance or the banking system, it is absolutely necessary to refer to the situation of the Canadian municipalities which represent one of the three important levels of government and which are treated most of the time as poor relations, and which do not have the means to carry out their responsibilities to the people.

As briefly as possible, this afternoon, I should like to show further four main points. Canadian municipalities at the present time operate in a frightful state of stagnation, they have to assume their responsibilities in a sort of strait-jacket, and it is a nightmare for the mayors and the aldermen—whatever they are called, depending on the province—to try and balance their budget and meet the requirements of their constituents. Not later than this morning, I learned that my own municipality, like a great number of other Canadian municipalities at this time of the year, had to raise its property tax, which it had managed to avoid through some sort of miracle for several years.

Second, I should like to pinpoint one of the causes of the financial mess in which the municipalities find themselves in regard to such investments and capitalization as they are forced to make in order to meet pressing requirements.

They experience those financial difficulties because, first of all, they do not have sufficient sources of income to meet the cost of their loans; second, they are at a disadvantage in the bond market, in the loan market because the federal government borrows at privileged rates, followed by the provinces whose rates are advantageous. The municipalities come third and must borrow at higher rates.

Mr. Chairman, this new bank act should, therefore, provide the greatest possible measure of compensation for the difficulties experienced by the municipalities, because their responsibilities are growing in direct relation to the phenomenal development of our country.

Third—and with this I draw my submission to a close—I should like to propose a solution to the hon. Minister of Finance and Receiver General (Mr. Sharp), a solution which I originally intended to move immediately as an amendment. But I should like, first of all, to explain my point of view which is that of all the mayors in Canada.

This I know full well because much of what I have to say this afternoon is based on the surveys made in the last 25 years by "Mr. Municipality" himself the late George Mooney, executive secretary of the Canadian Mayors Federation, on the recommendations sent to me by its administrative secretary, Mr. Lawless, as well as on the briefs this federation which is in close contact with the provincial unions of municipalities, has published and submitted to the provincial government in recent years.

To support my argument, Mr. Chairman, let me mention the "Crédit communal" as it exists in Belgium since 1860. Similar systems can be found in Scandinavian countries, but I shall limit myself to Belgian organization. It might give the hon. Minister of Finance an idea of what could be done here in Canada, with certain adaptations.

I am not forgetting all through my remarks, that we must not lose sight of the constitutional responsibility of the provinces as regards the municipalities, although I do not agree that we should keep on calling the municipalities the creatures of the provinces. In my opinion, the municipalities represent the first level of government, since they are the closest to the people and they must face up to perhaps more urgent, more utilitarian needs than the federal and provincial governments. However, constitutional considerations must still be kept in mind.

I am not forgetting either that a sort of overall priority classification should be established with regard to the fiscal needs of the municipalities. When I refer to fiscal needs, I mean those for capitalization purposes, in co-operation always—and that has been the weak point of the governments in the past—with the authorized spokesmen of the municipalities who are the elected members to

the Board of the Canadian Federation of Mayors and those who, in their province, are elected to the executive of the unions of municipalities.

As I say, that was not done enough in the past, and I am not blaming one government more than any other, because on several occasions, I had the opportunity of taking part in representations made to governments headed by members of the two largest parties here. As a matter of fact, I attended such meetings as the spokesman for the mayors of Canada and, this year, I was in attendance as a member of parliament—if I may say so, I was on the other side of the fence—and I feel I must conclude that, for all practical purposes, the Canadian mayors' representations do not amount to anything more than a social call on the federal parliament, nothing much ever comes out of them except perhaps—one must be honest—a few decisions, like the winter works program and some other projects which were implemented over the last few years.

However, the situation is now so serious that over-all policies must be conceived and established; this would necessitate an important amendment to the Bank Act or perhaps a new piece of legislation related to the Bank Act.

I am not forgetting—and this is my fourth point—that this fund whose establishment I am recommending should be some sort of a perpetual revolving fund for municipalities, with no final date, no time limit—as in the case of works financed by the government in the past few years—and offering privileged rates.

Mr. Chairman, in my speech of March 9 last, I quoted figures to show that municipalities have been assuming more and more responsibilities while their revenues have not kept the same pace; on the other hand, revenues of the federal and provincial governments have been going up all the time, but their responsibilities have not increased in the same proportion.

At that time, I did not have the latest figures, since I rose at the very last moment. However, this afternoon, I would like to sum up rather briefly the figures that I gathered in the 1965 statistics and which are valid for until the beginning of 1966.

Mr. Chairman, they show that 42.7 per cent of all government expenses in Canada are actually borne by the municipalities, while the federal government takes on only 34 per cent of them and the provinces, 23.3 per cent. On the other hand, as far as capital investments and capital costs are concerned—I am speaking of what must be borrowed specifically for capital expenditures—the percentage amounts to nearly 40.6 for the municipalities, 17 for the federal government, and 42.2 for the provinces. I shall not repeat the figures I mentioned the other day. Besides, they can be found on page 13808 of *Hansard* for March 9. They show that municipal revenues are not proportionate.

That is understandable, Mr. Chairman. School expansion is phenomenal and the number of hospitals increases following the adoption of legislation pertaining to hospital insurance or health insurance. The roads which have to be built in the towns to connect with the highways the federal government provides, the public utilities, slum clearance, urban renewal, parks and playgrounds, water sewage plants, recreation grounds, urban transportation, unemployment which constitutes a certain obligation, even at the municipal level, grade crossings that municipalities have to finance at least in part when they should be financed by the railways, all that entails heavy expenses. All those things prove, beyond any doubt, that as Canada develops, municipalities should develop also and borrowing facilities should be expanded to enable the municipalities to shoulder their responsibilities and meet the needs of their citizens; however, the reverse is happening.

So, our municipal councils, which now operate within the limits of their budgets, have to limit their capital investments to a point which is harmful, which paralyzes the expansion of the country and which gives rise to unemployment in certain cases.

Now, if there was any consistency, if there was any consultation between the three levels, a comprehensive policy could be arrived at, which would enable this third level—or first level, in my view—to fulfil its responsibilities with the result that it would relieve the provincial and federal governments of some duties.

Mr. Chairman, I have here a great many quotations I could read out in support of my argument. For many years, those things have been advocated. I have excerpts from briefs of the Canadian Federation of Mayors and quotations I could draw, for instance, from the special report of a Senate committee,

called the Manpower and Unemployment Committee, which said in a June, 1961, report:

• (4:20 p.m.)

[*English*]

The scale of capital financing required in the future for municipal works is so large that a new measure of responsibility is required in the raising of such funds on the part of the provincial and federal governments. Here, perhaps, is the basis on which a solution to the other problems of better planning and the development of better machinery for co-operation might also be sought.

[*Translation*]

You will note, Mr. Chairman, that I do not claim nothing has been done, and I would not want my remarks to be considered as a criticism of any government we have had in the last 10 or 12 years. I would like it to be understood that I am now putting forward—at least, I am trying to—constructive remarks that could be helpful to all levels of government. Indeed, I feel that, to date, everything that could be done under the circumstances has probably been done. But I suggest that the problems have become so acute that it is essential to put forward drastic and comprehensive solutions. And let us not simply fill gaps, as we had to do in the past. I will not read all those quotations to the house. I have one here, for instance, an excerpt from the *Globe and Mail,* which said not so long ago:

[*English*]

Municipalities provide many services from which national wealth flows ... If these services cannot be provided—

[*Translation*]

Because, for instance, they cannot afford to finance them. The comment is mine.

[*English*]

—if the municipalities are starved of current funds or of long-term capital, the flow will be checked and all three levels of government will be poorer.

[*Translation*]

Then, Mr. Chairman, I would like to make a suggestion to the minister or rather tell him that the government should probably consider the introduction of parallel legislation to the Bank Act or an amendment to that legislation. It is not for me to tell him how to proceed. I easily agree that in the financial field, he is much more qualified than I am. But as for municipal finances, I was one of those who had to put up with the situation for a number of years. I think I would be remiss in my duty as a member of parliament if I did not strongly emphasize the fact that that level of government does not have the proper tools to discharge its responsibilities.

I would like to illustrate my explanation to the minister by summing up briefly the operation of what is called the Crédit communal belge, the Crédit Communal of Belgium. Similar organizations exist everywhere in Europe, in the Netherlands, in Germany, in Norway. I believe that we would probably be best advised to follow the Belgian formula although, admittedly, we would have to adjust it to our requirements. I would still like to summarize its operation so that those of my colleagues who are not familiar with what was done over there may understand, with the help of supporting evidence, where lies the cure of the evils of this first level of government.

[*English*]

The Crédit Communal of Belgium was founded in 1860. Prior to that time small municipalities were experiencing great difficulty in obtaining loans for municipal improvements. As a rule, the only source available to them with the private banks and financial institutions and, on occasion, private individuals. It seems we are a century behind in this regard. Under these circumstances municipal loans were obtained under rather onerous conditions. Only the larger cities were able to issue their own securities and obtain capital funds at reasonable rates.

As a result, the greater part of the 2,600 communes of Belgium, as they are called over there, found it virtually impossible to obtain loans for their required municipal improvements.

Toward the middle of the last century several studies were made in an endeavour to solve the problem. The matter was taken in hand by the national government and the then minister of finance sumarized the alternatives as follows. First, either the national government would have to intervene and provide loan funds direct to municipalities which would mean some loss of municipal autonomy inasmuch as the state would be responsible for the municipal loans or, second, a private institution might be established whose function would be to raise loans for municipalities with any profit from its operations accruing to the shareholders of the company. The minister made it clear that what he had in mind was the creation of an institution or private

company which would operate within well established business and financial methods.

• (4:30 p.m.)

Out of this background there emerged the idea of creating a company whose shareholders would be the borrowing local authorities, with the annual profits being distributed among them without any intervention from the government. It was on this basis that the Crédit Communal was founded. It began without any capital, the first subscriptions to its capital shares being part of the first loans made on behalf of municipal governments.

From the beginning the Crédit Communal has had all the characteristics of a cooperative society. However, inasmuch as Belgian law in 1860 ignored such a form of association, the Crédit Communal was founded as a limited liability company for a duration of 99 years. This is still the case, although the statute rules of the company are somewhat different from private limited liability companies.

The Crédit Communal was the first cooperative association of local governments in the world. Economists such as Bernard Lavergne, a Frenchman, have assigned to this historic event the same importance as is ascribed to the creation of the first consumer co-operative society, The Equitable Pioneers of Rochdale.

The most important problem which the Crédit Communal had to surmount at its inception was the matter of the guarantee of municipal loans. This was solved as follows: In 1860 some of the local taxes prevailing in the cities and towns of Belgium were abolished. These were replaced by a central fund, fonde communal, which was derived from state imposed taxes and distributed each year among the municipalities. It was agreed that the communes would be allowed to turn over to the Crédit Communal their part of the state collected taxes as a guarantee for the loans concluded by the Crédit Communal. Even today the contributions provided by the state authorities to local authorities are the principal warrant for the capital funds which local authorities borrow from the Crédit Communal.

As indicated, the Crédit Communal is owned by the local authorities, their share capital consisting of part of the consolidated long-term loans which the Crédit Communal has made to local authorities. These loans are repayable by equal annuities. Originally, 5 per cent of the amount of any consolidated loan represented a subscription to the share capital of the Crédit Communal by the borrowing municipality. In 1911 the share subscription of the municipalities was reduced to one-tenth. Since 1949, when the practice of making consolidated loans was abolished, no further capital subscription has been required of local governments.

The management of the company consists of a general assembly which is composed of all the municipal shareholders represented either by their mayor, alderman, or a local councillor. A board of directors appointed by the general assembly administers the company and in turn appoints a supervisory committee for the general oversight of all the operations of the company, including the loans made to local authorities. The board of directors consists of nine members elected for six years. The Crédit Communal now makes loans to provinces, municipalities, joint boards of local authorities and to some other local organizations such as public assistance boards.

The Crédit Communal issues the following types of credits: First, long-term credits. Under this heading come consolidated loans. This type of loan credit has now been abandoned. Under it the loan requirements of several municipalities were grouped and consolidated in one loan issue. The amounts obtained therefrom by each of the several municipalities were repayable in annuities, including interest and capital. Originally consolidated loans were granted for up to 60 years. Subsequently their duration was reduced to 30 years. The interest conditions did not change during the duration of the loan.

As indicated, the capital required was obtained by long-term issues and distributed between the cities which had requested a loan. The rate fixed for the duration of the loan included all the issue and administration costs. As this kind of capital borrowing was only possible when the Credit Communal could issue bonds of at least 30 years, the consolidated loans were abandoned after the second world war when it became impossible to issue bonds in Belgium for more than five years, and in exceptional cases ten years.

Second, they also grant non-consolidated loans. Since 1948 the loans granted by the Crédit Communal to local authorities are repayable by annual amounts with a variable rate of interest. The rate is fixed twice a year, in June and in December. It is impossible to fix the rate for the whole duration of the loan as the capital funds are now provided by issues of short and medium term bonds—one,

two, three, five and ten years—which at their expiration have to be replaced by new bonds, the rate of which may differ considerably from the old ones. It therefore follows that local authorities, when concluding such loans, do not know at the time the loan is concluded what the rate will be over its duration. As a rule, it has always been lower than the public market rates. This is due principally to the co-operative character of the company. As pointed out, there is no subscription of share capital required from the local authority when non-consolidated loans are concluded.

From 1948 to 1953 the long-term loans of the Crédit Communal ranged from 20 to 30 years. In 1953 the maximum duration was reduced to 20 years inasmuch as at that time the issue of long-term bonds was not readily acceptable in the money market. They also issue medium term loans. These loans range from five to ten years and exceptionally for 15 years. The procedure in obtaining the loan is the same as for non-consolidated long-term credit.

A third kind of loan is made by way of short-term credits for extraordinary expenses. Loans under this heading would cover the borrowing needs of local authorities for unforeseen expenses of an obligatory character. In most instances, the national government makes contributions toward such requirements of from 30 per cent to 60 per cent. However, as these grants are not always paid promptly the Crédit Communal discounts the promised amounts normally for a three year period and, in exceptional cases, for five years.

Another kind of short-term loan is for current ordinary expenses. In Belgium the state collects certain local taxes which are handed over to the Crédit Communal to guarantee the annual service costs of municipal loans. There is frequently a delay, however, in turning the amounts over to the Crédit Communal. As a consequence, municipal governments require interim credit pending the payment of such taxes. For this purpose, the estimated credit balance—which is not necessary to cover interest and repayment costs of the loans granted to the municipality—can be discounted to enable the communes to pay their currect expenses.

Finally, in some instances, loans are made directly to other public bodies, but I will not go into those.

What are the financial assets of the Crédit Communal? As I have already said, long-term bonds formerly were issued for terms of from 30 to 60 years. With these proceeds long-term loans were granted. Included in such loan obligations was a 5 per cent capital subscription to the shares of the Crédit Communal. At the end of the second world war the issuance of long-term bonds was abolished, but the municipal share capital still remains an asset of the company. I have mentioned that before.

• (4:40 p.m.)

The Crédit Communal also operates savings departments. Deposits in savings accounts are callable on demand. Another source of the deposit assets of the Crédit Communal is that it acts as the banker for local authorities and other local public bodies. Funds of these bodies remain on deposit for varying times and, as indicated, a good portion of them is earmarked to cover the capital and interest cost repayments of any loan made to these bodies. Just imagine the amount of money that would be available for us here in terms of what is invested by municipalities in banks, Mr. Chairman.

In addition to state collected municipal taxes local authorities also collect direct taxes and other revenues. These local taxes and revenues are deposited with the Crédit Communal. In recent years the Crédit Communal has been afforded wide banking powers and can, in effect, provide full banking and loan facilities on behalf of local authorities, including savings deposits and the issuance of short-term, medium and long-term loans.

Just to give a more complete example of what the situation is, during the first three months of 1963—here, Mr. Chairman, if you do not mind, I shall revert to French—

[*Translation*]

In the first three months of 1966, the Belgian Crédit Communal loaned 7,151 million francs to its municipalities; if you divide that amount by five, you will have some idea of its value in Canadian money. Out of that amount—that is for the expenses concerning ordinary loans—there were also longer-term capital grants of 1,196 million francs, which would represent a total of 8,347 million francs. By dividing the whole amount by five, we would obviously get some idea of its meaning for a country much smaller than Canada.

Mr. Chairman, in concluding my remarks, perhaps too long already, I will say this: When dealing with financial questions and with matters as important as the Bank Act,

which will be in force for at least ten years, we should not forget that municipalities are facing tremendous problems, that they are ill represented in the discussion on legislation, since most of the time the distribution of electoral areas in the provinces is not done on a fair basis. Urban municipalities are poorly represented and have greater needs than rural municipalities, since the federal government even compels municipalities to pay taxes on materials they buy, while the federal and provincial governments are exempted from that. And double taxation is levied on the citizens.

Third, the municipalities are handicapped when it comes to getting funds and paying them back because the federal government takes its share first and then the provincial government does the same, and if there is anything left the municipalities will get it, but otherwise they do without it.

And fourth, the municipalities are handicapped with regard to their borrowing possibilities and indirectly their burden gets heavier each year as the country develops thanks to the efforts made by our governments to ensure prosperity throughout the country. So they must prepare new housing sectors, provide sewer systems and water mains, new roads, new parks new schools, new hospitals.

Of course, they get generous contributions from the governments, but I say that they do not solve their problems to the extent that the responsibilities of the municipalities have increased in the last few years. A drastic and comprehensive solution must therefore be found.

What I find most reprehensible is that the municipalities have no say in the matter. They are treated like poor children, orphans, and they are forced to accept the crumbs of the wealthy. They should be consulted, allowed to take part in the discussions between the federal and provincial governments about tax sharing, at least as observers to know what is going on. And when they submit well researched briefs, as they have been doing for over 25 years, to the governments concerned, partisan considerations should be forgotten—it is not done enough in the provinces, although the federal government does it—and the municipalities should be listened to and taken seriously.

[Mr. Mongrain.]

The Acting Chairman (Mr. Richard): Order. I regret to inform the hon. member that his time has expired.

[*English*]

Mr. Olson: Mr. Chairman, I wish to ask the minister a couple of brief questions about the report issued yesterday by the Organization for Economic Co-operation and Development. I am rather alarmed that such a report should have been made by an organization of which a number of countries are members, including Canada.

Has the O.E.C.D. asked the Canadian government to take steps to adjust its monetary policy through the Bank of Canada in order to provide some additional control over the rise in wages and prices? Apparently in last year's review of the Canadian economy the O.E.C.D. experts advised Ottawa to establish some wage and price guidelines. I do not know if this was done and I would like the minister to advise what steps Canada has taken. Were these steps taken through monetary and fiscal policy, and did the O.E.C.D. make even more severe suggestions to the Canadian government with respect to achieving control over wages and prices? It seems to me that this is something which should be discussed when we are considering the Bank of Canada because it is one of the instruments which in the past has been used to exercise some measure of control over prices and wages.

Mr. Sharp: Mr. Chairman, as the hon. member rightly says, Canada is a member of the Organization for Economic Co-operation and Development and participates with other member countries in trying to achieve the objectives we hold in common, principally a steady expansion of output.

The committee will recall that some years ago the O.E.C.D. fixed targets for member countries. I am very happy to say that in general these targets have been exceeded, and certainly they have been exceeded here in Canada. We have in fact achieved a larger increase in output than was thought reasonable a few years ago. The Organization for Economic Co-operation and Development, the International Monetary Fund and other international agencies have, however, drawn attention to the tendency for demand to outstrip production and have pointed, I think quite rightly, to the grave dangers that exist if we try to do too much too quickly.

As I recall the references to Canada in the report of this organization, they pointed to the desirability of having adequate fiscal and monetary measures and in particular endorsed what I have said on a number of occasions and what has been said by other international organizations, that there should be less reliance on monetary policy and more on fiscal policy. Looking back over the history of the last few years I think it can be said of practically all of the major industrial countries of the world that governments have not been prepared to use fiscal policy as they should have. On the other hand, I believe the record of performance in this respect has been improving in most of the countries of which I am aware.

The O.E.C.D. in addition, however, has been concerned about the question of whether fiscal and monetary policy in itself is adequate to provide the desirable degree of stability along with expansion. In other words, is fiscal and monetary policy adequate to ensure expansion without inflation? I have asked this question myself. Indeed, on a number of occasions, both in this house and outside it, I have spoken about the more general question: Should there be supplementation to fiscal and monetary policy such as guide lines, guide posts, income policies, or wage and price ceilings?

• (4:50 p.m.)

We put this question to the Economic Council of Canada and, as hon. members may recall, the answer we got from the council was in the negative, namely, that the kind of policies I have been describing are not likely to be very effective. On the other hand, the governor of the Bank of Canada in a speech he made recently in Rome did point to the importance of mobilizing public opinion in support of the general objective of expansion without inflation. I regret I do not have his words in front of me. Therefore, while not adopting any of these devices or mechanisms such as an incomes policy or guide lines, or guide posts—certainly not wage ceilings—I have nevertheless pointed out the importance of finding some way of mobilizing public opinion among employers, employees and consumers in support of the general objectives which the community has in common. The O.E.C.D., if I may say so, seems to have come down on the side of Mr. Rasminsky rather than on the side of the Economic Council.

Mr. Olson: I should like the minister to tell us whether recommendations of this kind are made to other countries urging them to impose additional controls. I think the words are "take steps to control the rising wages and prices". The minister told us that the organization was concerned about whether or not fiscal and monetary policy was sufficient. What other steps does the council in its wisdom suggest that countries such as Canada ought to take? Is this a general statement without any suggestion as to specific ways and means of achieving the objective desired? If the Economic Council rejects some of the other suggestions which have been made and if the O.E.C.D. continues to urge Canada to take certain steps, surely there must be some substance attached to the proposals.

Mr. Sharp: May I answer the first question? The O.E.C.D. gives advice to all its member countries. This is one of the most useful of the international forums which have been developed for the discussion of mutual problems. I remember that my parliamentary secretary went to a meeting of this organization about a year ago and he said he was astonished at the frankness with which members spoke to one another. I can assure the committee that advice is given to all members freely and frankly. It is a great step forward in the development of international institutions that we can have reports placed before us as the result of an independent group looking at our situation and giving us the benefit of its advice and views.

As I understand the recommendation of the O.E.C.D. it is not too specific. The organization does not attempt to be precise about the nature of the steps which should be taken by any country to deal with its domestic affairs. It believes it can be more useful if the observations made are general rather than specific, since specific suggestions might be rejected on the ground that the organization is not sufficiently familiar with local conditions to know what best to do. What I believe they have in mind are measures to supplement financial and monetary policy such as those which have been taken in the United States, in the United Kingdom and in Europe in an attempt to bring public opinion to bear, on a voluntary basis, upon the determination of wages and prices.

The Acting Chairman (Mr. Richard): Order. Would hon. members please resume their seats? I have been watching the proceedings and I must confess that some of the questions are short but the answers are rather long. I

wonder whether the hon. member for Medicine Hat intends to proceed with his own remarks or whether he would have any objection if other hon. members were to enter the debate.

Mr. Olson: I simply want to ask the minister whether it would be possible to have a copy of the report which was made by the O.E.C.D. to the Canadian government.

Mr. Sharp: I will be very happy to provide it.

[*Translation*]

Mr. Mongrain: Mr. Chairman, with your permission, I should like to rise on a question of privilege.

I just realized that I misled the committee of the whole earlier when I quoted figures in Belgian francs and converted them in Canadian currency. Since I do not wish to mislead the committee of the whole, I want to make a correction. I said that one should divide Belgian francs by 5 in order to convert the amount in French francs. My colleague from Lafontaine (Mr. Lachance) who is more of an expert than I am in financial matters, tells me that one should divide by 50. Of course, I am making this correction quite readily, so as not to mislead the committee of the whole.

If you allow me, Mr. Chairman, to pursue this question of privilege, I must confess that my natural verbosity played a trick on me. I had one more sentence to say and I wanted to ask the minister—

[*English*]

I wanted to ask the minister to comment on his attitude toward providing in this banking legislation or in parallel legislation something which would take care of the financial problems of the municipalities.

Mr. Sharp: I recognize that some of the municipalities have difficulty in raising money for their various capital projects. A few years ago this parliament passed financial legislation which was of some help in this connection, but it was intended as a means of promoting employment. It served its purpose and has now expired. I would think it would be very difficult for the federal government to establish an institution for the specific purpose of financing the subsidiary bodies of provinces.

When I was listening to the hon. member giving his very interesting speech about the Belgian experience it occurred to me that it would be quite possible for any province to establish such an institution for the benefit of its own municipalities, though I did wonder who would be in charge of the queue when the municipalities lined up to take advantage of the facilities. I doubt that it would be in accord with the constitutional tradition of this country for the federal government to establish a bank which dealt with municipalities. An institution of that kind would certainly not be able to function without the permission of the provinces and this being so I think it would be better for the provinces to act directly. Perhaps some day we may contemplate an organization for this purpose in conjunction with the provinces, but surely not an institution which dealt directly with municipalities.

Mr. Mongrain: Does the minister not think this might well be the subject of discussion with the provinces when meetings are held to discuss financial matters? Such a system could not operate without the help of the federal government.

Mr. Sharp: From time to time the provinces do raise questions of this kind. I do not remember the matter being raised at the last meetings I attended and this, I believe, is evidence that the provinces doubt very much that the federal government should intervene in the manner suggested.

Mr. Olson: Was the municipal development and loan fund not handled in exactly the same way? It had to be channeled through the provinces, and some of them set up municipal finance corporations which in fact distributed money to various municipalities on application.

• (5:00 p.m.)

Mr. Sharp: Mr. Chairman, let me just add this. Those were not banks but sources of funds voted by this parliament to finance certain municipal works. This parliament can at any time follow that course. I thought my friend the hon. member for Trois-Rivières was referring to a new kind of institution and it was that institution about which I was casting some doubts.

[*Translation*]

Mr. Grégoire: Mr. Chairman, when the house rose last night I was just putting a question to the Minister of Finance and Receiver General (Mr. Sharp). I was asking him whether he would object to having the Bank of Canada instead of the chartered banks

create new credit representing the economic growth of the country. And the minister replied: "Yes, Mr. Chairman, very great difficulty indeed."

Needless to say, Mr. Chairman, that we were not satisfied with this reply. We wanted a more detailed and more substantial reply and we wanted the minister to tell us what prevented the Bank of Canada instead of the chartered banks, from creating the new credit representing economic growth.

If you will recall, Mr. Chairman, I was very careful to explain yesterday, to specify what we meant by creating credit and what the Bank of Canada would have to create, that is, the amount which is representative of the economic growth for the year and which the chartered banks lend at the present time.

Then, after insisting for a more detailed reply than this from the minister, he finally gave us the following answer, according to *Hansard* dated March 13, 1967, page 13946, and I quote:

[*English*]

Mr. Sharp: Well, Mr. Chairman, if I may say so once again, I consider that such action would be very detrimental to the interest of the people of Canada because it would be very inflationary, and all of these arguments being presented by the hon. member for Lapointe are simply a camouflage for one of the oldest practices in the world, which is the practice governments have indulged in in the past, and I hope will not indulge in in the future, and that is printing money for the purposes of meeting government expenditures.

[*Translation*]

If I may say so once more, Mr. Chairman, it is not we but the minister who does not understand, because he still thinks that we want the Bank of Canada to create credit by printing bank notes. As the Minister of Finance could have seen by looking at page 13944, I did specify that it was not a question of printing bank notes. In fact, as may be seen from the right hand column on page 13944, around the middle of the page, this is what I said:

It is not a matter of putting the money press to work but of doing exactly what the chartered banks are doing, what the Bank of Canada will have to do after getting the authorization from parliament to give back to the Canadian people a real degree of control over credit.

As I was saying, Mr. Chairman, before the Minister of Finance answered me, it is not a matter of printing money but of doing exactly what the chartered banks are doing now: creating credit not by printing money but by raising the figures in circulation which represent credit money.

Why does the Minister of Finance bring up again this idea of printing money, following the example of some clowns in the Liberal party—of the Yvon Dupuis type—who said that the Créditistes want to print money and who threw a bunch of dollars in the air? The Minister of Finance is using the very same tactics as these former buffoons in the Liberal party, saying that Social Credit wants to print money and denouncing us for it when it is not true.

Mr. Chairman, in order to show that the minister is being dishonest at the present time, I should like to repeat what I said before, and I quote:

It is not a matter of putting the money press to work but of doing exactly what the chartered banks are doing.

The chartered banks are not printing money; they are creating credit, and the minister has acknowledged this.

Why does the minister then bring up again this question of printing money? Is he being sincere? Does he want to have an intelligent discussion with us or does he not? He tells us he has understood nothing. Well, Mr. Chairman, in that case he will never understand. Incidentally, if he persists in being so insincere, he will not get away with it.

He was listening closely yesterday when I said that it was not a matter of putting the money press to work but of doing what chartered banks are doing, and that is to create credit.

I will once again put the question to the minister, but I must first explain. It is not a question of printing bills, Mr. Chairman; I said it yesterday and I say it again today. It is a question of creating credit, just like chartered banks do at the present time. When they do, they do not print one single dollar; they need only multiply by 12, on paper that is, their cash reserves supplied by the Bank of Canada. The Minister of Finance said that this would be inflationary. Mr. Chairman, here again, I would like a straight answer from the minister, because he has circumvented the point. I have put the question to the minister, but he confined himself to generalities. He said that if the Bank of Canada were to create credit instead of the chartered banks that would cause difficulties. Speaking in a general way, he said it would give rise to many difficulties. We insisted on getting more details and, suddenly, the minister came up with this, and I quote again:

—that such action would be very detrimental to the interest of the people of Canada because it would be very inflationary—

Mr. Chairman, I would ask the minister to be more specific on this point. Let us define the problem. I trust the Minister of Finance will not speak again of putting the money press to work, for we now say to him—and I feel the matter is clear enough—that it is not a question of printing bills, but one of creating credit, just as the chartered banks are doing at the present time. The minister tells us it would lead to inflation. I therefore ask him, had the Bank of Canada instead of the chartered banks, created, in 1966, $1,669 million in credit, as, by the way, the chartered banks did in 1965, would this have placed a single cent more in circulation in Canada. Would there be a single dollar's worth of credit more in circulation in Canada, if that amount had been provided by the Bank of Canada rather than by the chartered banks? There would not have been one extra cent. Obviously, as I said last night, if the Bank of Canada were to create credit, then the chartred banks should no longer have the authority and privilege to do so. Chartered banks should no longer have the power and privilege to multiply their monetary reserve by twelve. They should no longer have that privilege, because if both the Bank of Canada and chartered banks created credit, I agree with the minister that, there would be some confusion.

• (5:10 p.m.)

We are asking to transfer the creation of credit from the chartered banks to the Bank of Canada; the chartered banks would lose that right and the Bank of Canada alone would have it; the chartered banks would no longer be entitled to multiply by 12.5 their reserve in hand and the Bank of Canada alone would have the right to create new credit. If during a year, the Bank of Canada instead of chartered banks creates some credit amounting to $1,669 million will that increase the money supply by a single cent? No, because instead of having been created by the chartered banks, credit will have been created by the Bank of Canada. And this will not increase the money supply, the money circulation or the credit by one single cent, whether it comes from the chartered banks or the Bank of Canada.

I have here one glass and two jugs of water, one belonging to the Bank of Canada and the other to the chartered banks. Whether I fill the glass with water from the Bank of Canada or water from the chartered banks, I will still have the same amount of

[Mr. Grégoire.]

water in the glass. Well, the situation is exactly the same in the monetary field, whether the new credit comes from the chartered banks or from the Bank of Canada. If the Bank of Canada were to put into circulation or create the same amount that would be created by the chartered banks, that would not cause inflation nor increase further the credit in circulation nor the money supply.

The government refuses squarely to print a single bank note; it merely wishes to create new credit. It will not allow it, it wants to leave to the chartered banks, as before, the privilege of creating credit. Let that privilege be granted exclusively to the Bank of Canada. Would it not be advantageous for the whole country to have the Bank of Canada create new credit instead of the chartered banks?

Mr. Chairman, with that explanation, with that specific qualification I have just given again to the minister, could he answer my question? After the last explanation to the effect that it is not necessary to use the money press, that the chartered banks did not use it, the fact still remains that, in 1965, they created $1,669 million of new credit, as can be seen in the annual Statistical Summary of the Bank of Canada. Then, what would prevent the Bank of Canada from assuming that credit function, instead of the chartered banks?

As I said yesterday, the chartered banks create the new credit. The minister said so himself in an answer which I have quoted on many instances and which I quote again. As stated on page 3012 of the Minutes of Proceedings and Evidence No. 43 of the standing committee on finance, trade and economic affairs, he said:

> The system used to create credit is well known. The banks grant loans.

Therefore, when the banks lend money they create credit; it is as simple as that. The minister summarized it in a clear sentence, and I congratulate him for having so well defined the creation of credit, as he did in the committee on finance, trade and economic affairs.

Well, if chartered banks are now creating credit, granting loans with interest and accepting deposits on which afterwards they have to pay some interest, then could the Bank of Canada instead of chartered banks not create that credit, make interest-free loans to public bodies, municipalities and school boards, for the construction of roads, bridges, schools, etc. Then, individuals would receive wages or would be paid for materials with money lent interest-free by the Bank of

Canada, and they would deposit that money in chartered banks, obtain a 3 per cent interest in return, and the chartered banks could lend it to other people.

This is the system which we are advocating and I am asking the Minister of Finance—since we assure him that we are not interested in the issue of new dollar bills, but merely in the creation of the same percentage of credit now issued by chartered banks to have a permanent money supply, since the economy of the country is expanding—why he objects to entrusting the creation of credit now issued by chartered banks with the Bank of Canada for the benefit of public development in Canada?

I believe that, as a result of those explanations, the minister should be in a position to answer my question more fully than he did last evening. It seems to me, with the data and explanations which we are submitting to him, that he should be ready to give us a reply in that respect.

[*English*]

Mr. Sharp: Mr. Chairman, I was reviewing the remarks made by my colleague the Minister without Portfolio when he introduced the Bank Act in 1965 and did something that I regret I did not do at the beginning, that is, give a dissertation on Social Credit theory.

Mr. More: He voted for it.

Mr. Sharp: However, Mr. Chairman, I was reviewing with great interest his remarks on that occasion when he dealt in a general way with some of the questions—

Mr. Grégoire: Mr. Chairman, may I ask the minister on what date the Minister without Portfolio made those remarks, because I should like to ask for a copy of *Hansard* for that date?

Mr. Sharp: I certainly suggest that the hon. member for Lapointe should read those remarks and digest them over and over again. If after a time they begin to penetrate I think my colleague the former minister of finance will have made a great contribution to the discussions in this house and to the enlightenment of our Social Credit friends. The former minister of finance, in the course of—

Mr. Grégoire: Mr. Chairman, may I again ask the minister to give us the date?

Mr. Sharp: Yes, I will be very happy to do so. I refer to *Hansard* of June 14, 1965, beginning at page 2373 and continuing to about page 2376 where there is an excellent and very sympathetic discussion of the errors of Social Credit. However, Mr. Chairman, I shall not put these remarks on record again but shall attempt to deal with the specific questions—

Mr. More: That was just before he voted for Social Credit theories.

Mr. Sharp: —which the hon. gentleman put to me last night and again today. Perhaps I ought to begin by saying that most of the suggestions that have been made from the Social Credit corner of the house are not—

Mr. Olson: Mr. Chairman, may I remind the minister that the hon. member for Lapointe is not a member of the Social Credit party.

An hon. Member: He is a separatist.

Mr. Sharp: The hon. member for Lapointe and the other Social Crediters—shall I put it that way. These proposals, which as I say were discussed at some length by my colleague the Minister without Portfolio a couple of years ago when a similar act was under discussion, are really not needed in order to enable the Bank of Canada to carry out its monetary policy function of having an influence on the over-all credit situation in Canada. Nothing that I have heard during this debate has led me to believe that the Bank of Canada has inadequate powers in this respect.

• (5:20 p.m.)

Views may differ from time to time. I have heard some views expressed here that the government has not followed monetary policies that were entirely suitable to conditions. I have also heard some criticisms of the governor of the Bank of Canada. This is natural. As I have said in reply to a question put by the hon. member for Lapointe when we were in committee, which he has quoted on a number of occasions, I believe that these are questions of judgment. Of course he has quoted a much more illustrious man than I, namely a former governor of the Bank of England who put it in terms of feelings and flair. I refer to simple words like judgment. I am very interested to see that my hon. friend has given even greater prominence to that very famous governor of the Bank of England. However, I am quite content to say I believe that in these matters a certain amount of judgment is involved.

Bank of Canada Act

[*Translation*]

Mr. Grégoire: I rise on a point of order, Mr. Chairman, for I have before me the answer given by the Minister of Finance to my question:

On what do you base your decisions to set the money supply at a given level?

Here is the reply of the Minister of Finance, and I quote:

When a governor of the Bank of England, Lord Norman, was once asked that question by J. M. Keynes, he said: "I do it by feel and flair", and I believe that this is still a matter of judgment, up to a certain point.

Therefore, Mr. Chairman, it was not I who insisted on feel and flair, but the minister. In fact, he says that this is a matter of judgment up to a certain point only, and not entirely, but he made no qualification when he repeated the words of the governor of the Bank of England, and I quote:

"I do it by feel and flair".

The minister did not set any restriction regarding this field, but he did establish one concerning the matter of judgment, and I want this specifically put on record.

[*English*]

Mr. Sharp: Mr. Chairman, I am quite happy with that. If the hon. member wants to quibble about these words I am sure it is not going to impress anyone other than the two of us. There are much greater issues involved in this debate.

Last night the hon. member for Lapointe drew attention to the recent increases in the deposits of the chartered banks. I believe he referred to the increase of about $2 billion in 1965, and he asked why financing made available through the chartered banks on this scale could not have been made available more cheaply through the Bank of Canada. I gather this was the general purport of the question which he put to me. If this had involved a further increase in the outstanding amount of the present Bank of Canada liabilities, it would have involved a very serious inflationary danger. That is why I said the following last night in reply to the question put by the hon. member for Lapointe:

I consider that such action would be very detrimental to the interest of the people of Canada because it would be very inflationary, and all of these arguments being presented by the hon. member for Lapointe are simply a camouflage for one of the oldest practices in the world, which is the practice governments have indulged in in the past, and I hope will not indulge in in the future, and that is printing money for the purposes of meeting government expenditures.

[Mr. Sharp.]

For the Bank of Canada in its present form as a central bank to issue $2 billion worth of Bank of Canada notes or make deposits in the Bank of Canada available to the public generally would be very inflationary indeed. I will be perfectly fair to my hon. friend from Lapointe and add that alternatively, and this is what the hon. member has in mind, we might have some system which would have involved the Bank of Canada having $2 billion of public deposits on its books as well as having $2 billion of additional assets in the form of securities and business and personal loans. In other words, the Bank of Canada would have been like any other bank. Apparently this is what he is talking about. Under these circumstances the bank simply does not have the facilities to service the deposits or loans of the public.

Mr. Grégoire: Perhaps the minister would allow me to clarify the first part of my question right away.

[*Translation*]

In our minds, when the Bank of Canada creates those $2 billion that the chartered banks actually created in 1965 by increasing the money supply, there is no question that it should create this new credit in order to make loans to the general public. We are for the Bank of Canada creating this new credit in the same manner as chartered banks are doing at present, but instead of making loans to the public, it would grant them without interest to public bodies, that is, to the provinces, municipalities, school boards or the federal government. It would grant those loans without interest to the municipalities which would repay them over a given period.

So, I would like to correct this immediately in the remarks of the Minister of Finance. There is no question of the Bank of Canada lending to the general public, but solely to public bodies, for instance municipalities, school boards, provinces or even the federal government, to construct public buildings and such public bodies would reimburse the Bank of Canada at the rate of depreciation of the buildings constructed or built through loans by the Bank of Canada.

Mr. Chairman, I believe this correction was necessary before the Minister of Finance continued.

[*English*]

Mr. Sharp: Mr. Chairman, I had no objective other than that explained by the hon. member for Lapointe, and I am discussing it in his terms. I accept his conditions. As I said,

the Bank of Canada has no facilities at the present time for taking deposits, for accepting deposits on such a large scale, it is because it has no facilities for servicing them. It could not accept cheques and it could not carry out banking business on the scale envisaged by the hon. member. If it did have these facilities, then of course it would be just like any other bank and the cost of doing business would be exactly the same as that borne by any other bank. There would be no difference then between the Bank of Canada and any chartered bank and it would not be cost-free money. The bank would have to pay interest because no one would leave money with the Bank of Canada without obtaining interest. If the Bank of Canada wanted to keep money on deposit it would have to pay interest or alternatively some law would have to be passed which would require money to be kept in the Bank of Canada.

Mr. Grégoire: Will the minister permit a question? Why should the Bank of Canada accept deposits? That is not its objective or goal. There would be no need for the Bank of Canada to accept deposits from the general public. Its purpose would be to lend money to provinces, municipalities and school boards, not to individuals. It would not be its role to accept deposits from the public. Far from that. When the Bank of Canada received repayments of these loans it would then lend these moneys again.

Mr. Sharp: The hon. member must have it one way or the other. If he is going to have the Bank of Canada performing the services of an ordinary bank, then the balance sheet must balance. On one side would be the liabilities and on the other side the assets. When it places at the disposal of municipalities and provinces $2 billion of loans, there are equal liabilities. Under the circumstances what would the municipalities and provinces use for money if not deposits in the Bank of Canada? Unless we go back to the first case which I said was so inflationary and which I am sure is what the hon. gentleman has in mind, namely the issuance of Bank of Canada bills which then become a cash basis for the chartered banks to expand their liabilities.

• (5:30 p.m.)

Mr. Herridge: I rise on a point of order, Mr. Chairman.

The Acting Chairman (Mr. Richard): The hon. member for Kootenay West on a point of order.

Mr. Herridge: I think the hon. member for Lapointe is imposing upon the minister's time and also upon other members of the house. I know the minister is just dying to reply to the sound proposals put forward by the hon. member for Fraser Valley, the hon. member for Medicine Hat and the hon. member for Kootenay West, and I think it is only right he should be allowed to do so.

[*Translation*]

Mr. Grégoire: Mr. Chairman, is—

The Acting Chairman (Mr. Richard): Order. The hon. member for Lapointe (Mr. Grégoire) still has a few minutes at his disposal and when he is through with his statement, another member will have the floor.

Mr. Grégoire: Mr. Chairman, I think that the gap between ideas is getting narrower, at least, the misunderstanding can obviously be reduced.

The question that remains obscure, Mr. Chairman, is the following, if I understand the Minister of Finance and Receiver General (Mr. Sharp) well. The minister is asking how the Bank of Canada could, for instance, make interest-free loans to municipalities, if it does not first have deposits?

Mr. Chairman, I wish to tell him that that is exactly what the chartered banks are doing now. They make loans, even before they get deposits. I ask the minister to bear that in mind. That is how credit is created. The chartered banks make loans before they get deposits. And I can quote three or four testimonies in that connection. The minister said:

> —The system used for creating credit is well known. The banks make loans. The monies are deposited with the banks.

So, when the chartered banks make loans, they create credit, and it is only after that—because the banks do not have the necessary deposits—that those loans are left with the banks as deposits.

Mr. Chairman, I have another testimony to that effect. It is a booklet published by the Royal Bank of Canada—that is surely not a sacred institution—more specifically by the department of economic research of the Royal Bank of Canada. That booklet is entitled: "Economic Trends and Problems, June 1966".

On page 6, one reads:

> Currency is an unproductive asset for the chartered banks.

Any excess of currency represents a lack of earnings for the chartered banks. When they

have cash reserves in excess of 8 per cent, they have a surplus of money which entails a lack of gains. And the booklet goes on to say:

> Consequently, the banks waste no time in using their excess of cash to make loans or to buy bonds, thus restoring the original deposit level.

So, to increase deposits the chartered banks make loans or buy bonds. Therefore, what I have just said is confirmed not only by the minister's answers but by the pamphlet issued by one of the most important chartered banks in Canada.

When the chartered banks make loans and create credit, they do not then have the required deposits. Those come in time, not too long after, but after the loan is made. This fact has also been admitted, Mr. Chairman, and I will find the reference in the Minutes of Proceedings and Evidence. We received 30 copies of these, 10 in a jiffy, and that is why I could not find everything since we have started consideration of this bill. However, the president of the Royal Bank himself has admitted that loans precede deposits, that banks make loans before they receive the required deposits and that it is only when the loan is made that the money involved is deposited and the balance is restored.

Therefore, if chartered banks can do it, lend money without having the deposits, I ask the minister why the Bank of Canada could not do the same? Lend some money, when that money or credit represent an increase in the growth of the economy of the country. Why could not the Bank of Canada do what the chartered banks are doing, even if it does not have deposits, as it is the case at the present time for the chartered banks? And this happens each time the Bank of Canada increases its cash reserves in circulation in Canada. And these reserves, when they are directed to the chartered banks, make it possible for them to make loans that are then deposited anew in the whole of the banking system.

The argument of the hon. minister seems to be that without deposits, the Bank of Canada could not lend money. The hon. minister should look at what is now happening in the monetary system. He will notice that lending money without deposits is precisely what the chartered banks do nowadays. The Bank of Canada would do exactly the same. However, the Bank of Canada would lend this new, yearly credit for the development of Canada, whereas the chartered banks do it to involve the country in debt.

[Mr. Grégoire.]

I feel that is a good enough reason for the minister to look into the matter a little deeper and to let the Bank of Canada do exactly what the chartered banks are now doing.

Mr. Latulippe: Mr. Chairman, I am pleased to have once again the opportunity of discussing social, economic and banking matters.

We know that the purpose of the economic activities of a nation is to produce as much as possible with as little effort as possible, to enable every citizen to benefit from the progress of science and everything that exists in Canada. Does our economy give each individual what he is entitled to? I put the question to all the hon. members. Does production in Canada achieve its goal? I ask the question once more. The answer is up to you.

I could tell you that under our existing financial system each individual does not get what he is entitled to. The present system does not distribute prdouction on the basis of Canadian units, of human beings. And yet we have a considerable production, despite credit restrictions.

The Minister of Finance and Receiver General (Mr. Sharp) said on several occasions that the world knows of no other system than the one we have; it is a nonsensical, debt-making system leading to loss-sales, credit restrictions, inflation, deflation, war, as well as to the most heinous atrocities, in every country of the world. That is what the minister wants to uphold by his false, diabolical, antisocial, unnatural, antichristian inhuman system.

Such is the system that you, members of parliament, advocate. And yet you represent the Canadian people. You were elected to put some kind of order in finance, in the nation's economy so that the economic activity can reach its objective.

But we have an old, diabolic, inhuman, antisocial system which is worthless, which does not satisfy the people, which gets them into debt, which brings upon them the worst recession, wars and all kinds of atrocities. And that is what you respect. That is what you want to save. You find that funny, but when you are called upon to account for your mandate, the work you did to remedy the present economic situation, you might not find that as funny then.

I would not want to hurt anyone, Mr. Chairman, but we know that it does not work. We know that something is wrong, that the present system does not work, that it gets the workers, the people, the school boards, the provincial governments, the federal government and the whole nation into debt. We are compelled to tax the people and to ask them to tighten their belt.

Our dollar is only worth 40 cents, we find that funny. We find it sound and natural for the governments to sell bonds. The federal government and the provincial governments, at all levels, try to get hold of some money, the blood which runs through the economy, and they leave very little money to finance development. Everything is taken away. When the government puts $10 in circulation, it takes $20 back. Then, we are always in the red.

When banks create credit, when they lend us money, they do not lend us the interest on it. We have to reimburse the capital with the interest. Our system stands up as long as the number of loans increases. The interest is not lent to us, and we are required to reimburse more than the amount put in circulation. But we find that logical. The hon. members opposite find that amusing. They find that logical.

• (5:40 p.m.)

One day, they will have to admit that those who explain the present system are right. If you do not understand what we are advocating, it is because you fail to understand the present system. We are not explaining anything other than the present system. It is that system which we are bringing before you in an attempt to make you understand it. This is what you have never understood and that you still do not understand.

You think that because it has been called social credit, it is utopian and foolish. Well, it is the present system, nothing else. Instead of being called social credit, it could be called the present system.

It is the current system that is being explained to you and that is absolutely all. It is the present system which should be improved and for which solutions are sought to improve the economic lot of each individual and of every level of government. And it can be improved, too.

I do not wish to condemn the present system as a whole for it has some good points. But this does not make it any less blameworthy. There are great and good things in the present system and we must preserve all that. But any useless part should be revamped. Several adjustments should be made and the financial and economic system of the nation should be kept abreast of the scientific progress accomplished not only in Canada but in the world. Financial systems have made great strides, but our own has never been revised; it is as old as Adam and is no longer serving its original purpose.

This does not mean that it is not a basically sound system, but its foundations, the structures which support it are too old and are practically falling apart.

Therefore, the foundations and the structures will have to be reinforced. That is what we must do. We do not despise the system; we do not sweep aside all that was done in the past and all the structures erected in the past. These structures had their uses for a time.

This financial system has not changed; it is old as the hills. It must change. We must introduce the improvements necessary to adopt it to our modern economic structure. That is all we ask. The hon. members opposite find that funny. But they are now laughing in fact at their own system and at themselves. If I am sometimes inclined to laugh with them and at them, it is because they do not want to change their system.

Mr. Chairman, the Bank of Canada is now 33 years old. It was founded in 1934. It has acquired some experience and it has served its apprenticeship. It has now reached its maturity. It must assume all its responsibilities before the community, before all foreign countries and all Canadians, over 20 million of them. It must do so for all Canadian institutions, for our 800,000 dwellings. And each individual, each family, each institution requires money to meet its own needs. The monetary unit is the Canadian dollar printed by the Bank of Canada and bearing the signature of the governor of the Bank of Canada.

Therefore, Mr. Chairman, each individual, family and institution in our country needs the Bank of Canada for self-management. And according to the commonly accepted formula for management one needs a sufficient income, one must provide for the essential expenses and leave room for some profit, for a surplus in the reserves, savings and accrued capital. We are in favour of all that. There is nothing we would like to change in the whole matter. Everyone is entitled to make a living, those who handle capital, those who deal in business, need capital, reserves, improvements,

accumulated capital. We are all for it; we do not want to change that.

If that holds true, Mr. Chairman, for every individual, every family, every institution or company, for every corporation or co-operative group, for every municipality, for every province, for every credit union, it also holds true for the Bank of Canada. I feel that if we wanted it, if the hon. Minister of Finance were willing, we could improve our pitiful economic situation, which must be reformed, readjusted, to match the normal evolution and the scientific progress of our country.

The Bank of Canada, Mr. Chairman, is the creature of parliament. It has a special mission to fulfil in the Canadian national economy and that mission was assigned to it by the parliament of Canada.

I shall not discuss again the various aspects, or the origin of money, these matters have been debated at length. I want to speak of the general responsibilities of parliament, of each appointed member of that parliament, of the responsibility of the Minister of Finance and Receiver General, since he has the highest responsibility in the land. It is with him, on his shoulders, that this high responsibilty rests.

Mr. Chairman, what is this parliament of Canada? It is we, each member, Mr. Chairman, Mr. Speaker, the Prime Minister, the member for Compton-Frontenac and the members for all the other electoral districts in Canada. That is parliament. We represent the nation, the individuals, the families. A few are ministers, indeed 26 among us are ministers and constitute the government of Canada. And the hon. Minister of Finance and Receiver General is the one who is responsible for the administration and mission entrusted to the Bank of Canada.

If a single person in Canada lacks any of the necessities of life, for want of money, that person is entitled to complain to his M.P., to the Minister of Finance and Receiver General, to the Bank of Canada, but especially to the minister and each of the 265 members who are responsible for the economic activities across Canada.

And protests can be heard all day long. You cannot go out without hearing protests on every side. Every public organization, all that constitutes our economy, its structure, has complaints to make, each one of which concerns financial matters.

Can you find anything that is not a matter of finance. When the provincial ministers are gathering here in Ottawa, with the Minister of Finance and Receiver General and the right hon. Prime Minister (Mr. Pearson), what do they intend to discuss here in Ottawa? What are they looking for in Ottawa? What do they want to get from Ottawa? They do not come here to discuss civil engineering questions, transportation or production matters or questions pertaining to some private organizations. No, they come here to get money, for otherwise they have everything, they have engineers, and everything they need to build this country, they have professors, carpenters to build schools. But they have no money.

The hon. Minister of Finance claims there is no shortage of that, that it is not difficult to find money. How is it, if you have no trouble finding this nation's economic blood, so as to give every province what it needs, to give every person what is required to live a decent life in this country abounding in wealth, what about your responsibilities? I wish to insist on that since we share those responsibilities. The economy of this nation depends on us.

• (5:50 p.m.)

Mr. Chairman, in the committee I have spoken to the greatest bank president of all. In the committee, I even addressed one of the greatest American financiers. I also spoke to university professors, to the most outstanding economists and administration experts, to presidents of the largest banks and bankers' associations, to accountants and stock-brokers. I also addressed the governor of the Bank of Canada, Mr. Louis Rasminsky, and the Minister of Finance. The questions I asked in the committee were not funny, but fundamental questions. I tried to learn about the origin of the dollar, its present rate, I wanted to know who created and circulated it, how many times it circulated in a year, who controlled the money supplies, and whatever you like. I asked questions on all those points and got uninteresting and vague answers. A few of them were specific, but most were vague.

And then, Mr. Chairman, someone was constantly interjecting to say: the hon. member is out of order. The hon. member should know he is beside the point. Your questions are fine, searching, emotional, but you should wait until later to ask them. I was always put off until later. There are a great many questions I did not ask because the chairman prevented me from doing so.

Mr. Grégoire: That is true.

Mr. Latulippe: Therefore, we could not perform our duty. The committee chairman did not assume his responsibilities either, with all

due respect, because I could have lost my temper more than I did. But I was respectful to him and I even neglected to publish a brief I tabled, it was actually one of the first briefs to be tabled, and it was not published.

I asked members who sat on the executive or steering committee, if you prefer, and I saw that my brief had been scratched from the list. I asked the members of the steering committee to appear as witness, because I felt I was able to discuss the brief I had tabled, and felt capable of answering questions that might be put to me. And I was told: "When the opportunity occurs, you will be asked to appear. When we run out of—

Mr. Gray: Mr. Chairman, on a question of privilege. I wish to give the members of the committee of the whole the assurance that no one prevented the hon. member for Compton-Frontenac (Mr. Latulippe) from appearing before the committee on finance, trade and economic affairs as a witness. He himself told the committee that he was withdrawing his initial request to appear as witness, and if he is not satisfied now it is his own fault.

Some hon. Members: Hear, Hear.

Mr. Gray: He was very often present at the committee sittings as a regular member and he asked questions. All the questions that were in order were accepted. But it is the hon. member's responsibility, just as it is any other committee member's, to conform to the rules. At that time, he accepted quite pleasantly, the rulings of the Chair and of the other committee members. I would not like the record of the committee of the whole to report erroneous statements such as those the hon. member has just uttered, and if other members of the committee are in the house at this time, I feel they will agree with me that the hon. member for Compton-Frontenac was perfectly free, as were all other members of the committee, to work in committee and to appear as witness, if he so wished, at the proper time.

Mr. Grégoire: On the question of privilege of the hon. member for Essex West (Mr. Gray), sir, I also had some grievances to submit with regard to the attitude of the chairman of the committee, who, I think, did not preside over the business in an impartial way, who, on many occasions, prevented us from putting questions and who, to put it briefly, managed to take the floor much more often than all the other committee members, and I shall make it a point to submit evidence of this a little later on.

Mr. Chrétien: Mr. Chairman, I would like to say a word on this question of privilege. I think that no committee of finance, trade and economic affairs ever sat as we did this year. Indeed since last October, we held 110 sittings, including 90 on the Bank Act. All hon. members had an opportunity to put the questions they wanted, but in the committee, as in the house, there is a rule which prohibits repetitions *ad infinitum* such as those now being served on us here in this house.

Of course, I do not know what objective is sought by those who persist in always putting the same questions. There may be differences of opinion, but the rules do not permit repetition and the chairman of the committee, then, made an excellent job, as can be confirmed by the members who sat on that committee. As far as the hon. member for Compton-Frontenac is concerned, he was called upon to give evidence, but he declined the invitation; that is why we did not discuss his brief.

I think the hon. member for Nanaimo-Cowichan-The Islands (Mr. Cameron) and the hon. member for Perth (Mr. Monteith) can testify to this.

[*English*]

Mr. Cameron (Nanaimo-Cowichan-The Islands): Mr. Chairman, I want to take a few moments to corroborate completely everything the hon. member for Essex West has said. The one criticism I would make of the hon. member as chairman of that committee is that he was altogether too considerate of members of the committee who had no consideration for their fellow members.

Some hon. Members: Hear, hear.

Mr. Cameron (Nanaimo-Cowichan-The Islands): With regard to the hon. member who complained that he was not allowed to present his brief, I have a distinct recollection of the hon. member being asked by the steering committee whether he wished to present his brief himself. He told us he did not wish to present it and was satisfied merely to deposit it. We should take great care to see that statements of the kind which have been made do not go unchallenged on the record.

Mr. Monteith: Mr. Chairman, as a member of the steering committee I agree with the

hon. member for Nanaimo-Cowichan-The Islands concerning the brief which the hon. member for Compton-Frontenac had prepared. I would simply like to add that so far as I could see any hon. member who attended the committee, whether as a regular member of the committee or otherwise, was given every opportunity to be heard.

[*Translation*]

Mr. Latulippe: Mr. Chairman, I see that several people agree to say that I refused to appear, but I will tell you that it is completely false, because when the list was full, and after I had said that I wanted to appear on that committee, my name was put back on the list and I was told that I would be notified when the time came. However, I was not. I did not insist on appearing either because I expected to be called at any time, but I was never called. That is why I say that they did not want to study my brief.

I had insisted on having my name put back on the list so that I might appear, but I was told that I would be heard when there was an opening and the time was right. But that time never came. Therefore, I never agreed not to appear and I can swear it here. I never said that I did not want to appear. I never said that. For the information of those who say otherwise, I say flatly that they could not be more wrong. I never told lies and I am not here to tell lies. Now, Mr. Chairman, let us change the subject. That matter is past and forgotten.

However, I asked one thing of the committee chairman and he gladly granted my request. I wanted my brief to appear at least in the Minutes of Proceedings; it appeared in No. 53, the last one. It has already been circulated and put at the disposal of the members of the committee when consideration of the Bank of Canada Act began. I am grateful to the chairman for having my brief printed and I am satisfied in that respect.

I would say, Mr. Chairman, that I felt some embarrassment and concern at finding myself alone quite often to defend my point of view. Those documents are now before the public. You can read them, study them, and anyone at all can judge them and appreciate or reject them. But they are there before the people, and none has the right to ignore them when it is a question of making laws, of revising the Bank of Canada Act and legislation concerning the Canadian chartered banks, or when the other Canadian finance companies, the credit unions or all the other near banks are concerned.

• (6:00 p.m.)

Mr. Chairman, at this occasion, carrying out my official mandate in the eyes of my electorate and of the whole Canadian people, I was conscious of doing quite simply my duty as a member of Parliament, and I still intend to do all I possibly can in this house. I am here before you because I am a representative of the people. I said several times to one of the members of the committee and even to the chairman that I represent the people of Canada, of my riding and my province even more than those concerned with high finance. I also represent the world of high finance, but I was elected and delegated by the people of Canada, who have needs and want improvements, who want to live and have a right to live. I defended those who elected me to office, at the same time respecting the law and the rules which I certainly do not intend to break, for I do not want to destroy anything, nor to humiliate anyone. And so, I want to be respectful of all that has been done but, while trying to be as human as possible, I want to respect and keep what has been well done.

I also want to commend all those who did their job. They deserve congratulations, they should be commended, because our predecessors accomplished good things and have not made too many blunders. A lot of good things have been accomplished, as evidenced by the economy which has finally picked up, across Canada.

But certain things have to be corrected. Let the economy roll along, but efforts should be made, however, to lower public debts, to relieve the people, not tax them to the hilt, in short, stop the public debt from increasing to such the extent that people go bankrupt. At the present time, the federal government is on the brink of bankruptcy, as well as provincial governments, municipal governments and school boards, and individuals go bankrupt, but nobody cares. In the province of Quebec, there has never been so many bankruptcies under the present system, and the same thing must be happening in the other provinces.

And some will say that there is no room for improvement, they will try to ridicule those who are speaking up, who want to improve the situation, who want to reform the economic system to stop the wave of bankruptcies, to stop debts from sky-rocketing, taxes from soaring high; high taxes are threatening to crush the people and rouse them to revolt. I

think we are on the verge of revolution, and if hon. members do not see it coming, I do. That is why I speak about it in this house, that is why I am making a heartfelt appeal so that everybody may realize that something must be done to start improving this disquieting economic situation. That is the only reason why I mention this, for I bear no grudge against anyone. I believe that we are all the same, in the sense that we are all elected by the people and we all mean well. However, we do nothing, while we must talk it over to accomplish anything, admit the facts, in short sit down and discuss the problems. If you allow the same problems to remain without any change, and if you do not want to change them, if you will not make any improvement and laugh at those who are trying to make improvements, what do you expect to change?

If you do not remedy the situation, you will see it get worse, you will see human weakness, rancour, misery which leads to enmity, because people are ridiculed, because life is too miserable and it is too hard to benefit from science and progress, in short, because it is too hard to fulfil the duty as a citizen.

Mr. Chairman, no one should ever forget that each human being, even if only an infant, is much more important than any economic system in the world, and of even greater consequence in terms of reorganization and improvement of our economy, our financial situation, the circulation of our money, and all the various sectors of our economic activities.

All the Minister of Finance says is that we will have to organize taxation and use the means that our taxation system makes available to us, that is, tax the people who are already burdened, unable to live. Levy new taxes; is that what you want Mr. Minister? Is that your solution to the problems? If you have no other solution than that, at least be good enough to listen to those who offer you some; give them a try at least. If they produce nothing, if they do not work, you will always be able to change them.

But you have no solution to offer to improve present economic conditions in the country. You have no solution, you keep on applying the old methods, you will only maintain bodies of the past which are of no use to the people, to the country and to foreign countries. It is impossible to find financial means to enable the citizens to live decently. And if war were declared tomorrow morning, the minister would find millions and billions of dollars. Yet, when the old age pension was increased, we had to have new taxes immediately because we had no money, because we could not find the funds to finance the cost of the $280 million increase in old age pensions.

New taxes were levied in order to collect $400 million. However, $280 million only were needed, but since the minister is interested in all kinds of fields, he took that opportunity to increase the taxes and to further burden the citizens who cannot pay such taxes.

In the municipality where I live, at the present time, 74 properties have been sold for school taxes. Yet, there are those who say that there are no financial problems in Canada. It is the same everywhere, throughout the country. There are no problems to settle. Those who mention them are not listened to.

It should be realized that the situation is more serious than one cares to admit. I know that those who always sat on padded arm chairs, who always drew a salary of $20,000 to $40,000, are not aware of the troubled situation which prevails in Canada. They know nothing of the problems faced by the families, the farmers, the municipalities. Especially when everything has always gone well at home, when one has always been well treated.

• (6:10 p.m.)

[*English*]

The Chairman: I must interrupt the hon. member to advise him that the time allotted to him has expired.

Mr. Mongrain: Mr. Chairman, in rising now I feel that I should apologize because I am afraid I am imposing on the committee. But when my time ran out this afternoon I still had a conclusion to draw. I addressed a few questions to the minister. He gave me some answers and these prompt some comments from me. I will make my observations very brief.

Last night the minister answered a suggestion by the hon. member for Villeneuve by saying, "This has never been done before". I thought I had explained to the minister this afternoon a formula which has been operating for more than a century to help ease the financial situation of municipalities. In answer to some of my questions the minister said this was a provincial responsibility. I

admit this. In fact, I admitted it at the beginning of my remarks. The minister told us also that the provinces had already discussed proposals along these lines and that some of them appear to object in that they would not, of course, welcome interference by the federal government. This, too, I admit.

Nevertheless, I believe that if the minister would consider my suggestion carefully he would conclude that objections from the provinces would be unlikely. It is simply a question of the federal government incorporating in this banking legislation or in parallel legislation authorization which would enable the provinces to set up co-operative municipal banks. Those provinces which are not interested would simply leave this authority to one side. Others, where the municipalities were able to convince their legislatures of the usefulness of the measure, would be permitted to set up such a bank. Such an institution along the lines of the Crédit Communal de Belgique—here it could be called a municipal bank or something like that—would considerably lower the interest charges faced by the municipalities and help with their budget difficulties.

The minister told us in his answer that he knew there were some municipalities which face financial problems in connection with their capital projects. I have to tell him that more than 95 per cent of all the municipalities of Canada are faced with this difficulty. This is why I am less prone to apologize for my intervention now, even if I may seem to impose upon my colleagues in this chamber.

I happen to be familiar with this situation. All over this country there are friends of mine who are mayors and members of city councils. We have studied these problems for years and years and they are still begging me to be their spokesman in this house and to tell my colleagues that Canadian municipalities are really facing a difficult situation, one whose solution should be given a very high priority. I am not suggesting that the minister can deal with this matter this afternoon or this evening. But I am insisting that we should not now pass a law which would bind us in such a way that nothing can be done along the lines I have suggested for the next ten years.

The minister should consult with the authorized spokesmen of the municipalities, the Canadian Federation of Mayors and Reeves and the Union of Municipalities, in an effort to find a suitable formula. Let us take the time also to place a suitable provision in the bill and then advise the provinces that here is a solution which has been discussed. It would be natural for representatives of the provincial legislatures to attend these discussions also. Then those provinces which wish to take advantage of the new facilities would do so and the others would simply leave them aside. I think this would be an easy solution.

The minister said also that the government had done certain things which had achieved their purpose in the lessening of unemployment, for instance. I have to differ with him. I do not think there are many difficulties which have been settled once and for all. The measures he had in mind were piecemeal and though they helped considerably they were still piecemeal measures. There is no global legislation to ease the financial situation of the municipalities. This is a problem which should be given top priority, and drastic action is needed.

I am ready to co-operate with the minister in passing this legislation as quickly as possible as long as there is a guarantee that it will not bind the government for another ten years during which the municipalities will be told that under the present banking laws nothing can be done for them. It is essential that the door should be left open.

[*Translation*]

Mr. Grégoire: Mr. Chairman, the present Minister of Finance was quoting a while ago the speech delivered by the former minister of finance, the present Member of the Administration, the hon. member for Davenport (Mr. Gordon), on June 14, 1965, in which he was criticizing the Social Credit philosophy.

Mr. Chairman, in order to understand a little the circumstances in which that speech was delivered—at that time, the hon. minister was presenting a motion for second reading of Bill No. C-102, on banks and banking. We were discussing the motion for second reading of the bill and we know that, at that stage, each of the members may speak once but he cannot reply, let us say to the minister introducing the bill. Moreover, according to another section of the rules, whenever the member introducing a bill rises at a given moment to give an answer to those who asked questions, the debate is then automatically concluded.

Besides, when the former minister of finance, the present member for Davenport, delivered that speech—I regret his absence in the house at this time since I intend to

deal with that speech, and I had advised the parliamentary secretary to the Minister of Finance (Mr. Chrétien), hoping that the hon. member for Davenport would be present—he knew quite well that nobody in the house could reply because he was then concluding the debate—under the standing orders—following the motion on second reading of Bill No. C-102 concerning banks and banking.

He delivered this speech on Social Credit theories knowing quite well that, according to standing orders, nobody could answer him, the debate being concluded, and that, in short, under the standing orders, no member could rise and refute that speech.

Here are some excerpts from that speech which I would like to comment.

First of all, the Minister without Portfolio, the former minister of finance, starts out from principles which are not really social credit principles. The leitmotiv, the argument used over and over again in that speech of the former minister of finance—which can be found at page 2373 of *Hansard* for June 14, 1965—the ever-recurring idea is this: the Social Crediters want an inordinate increase in the money supply.

Well, then, Mr. Chairman, objection must be taken immediately to what the former minister of finance wants to include in a theory, when that is not in it at all.

• (6:20 p.m.)

The point, Mr. Chairman, is not to increase the money supply beyond measure, far from it. What Social Crediters propose is to increase the money supply at the same pace—neither faster nor slower—as, Canadian citizens and Canadian industries are able to increase the Canadian output.

If there is a large increase in Canadian production, there has to be a corresponding increase in the money supply, because the money supply enables Canadian citizens to buy what they produce.

If, on the other hand, production does not increase, or if it decreases, then it is obvious that the money supply cannot increase either; indeed, it must be reduced at the same rate as production decreases. Therefore, we can realize that this is far from the allegations of the former minister of finance, the present member for Toronto-Davenport and Member of the Administration, when he said we wanted to increase the money supply out of all proportions.

The minister said, at one time, and I quote:

> The other chief danger arising from excessive expenditures associated with an excessive increase in the money supply—

Mr. Chairman, that phrase "excessive increase in the money supply" is used continuously in the speech of the former minister of finance.

Therefore, it is easy to see that the whole statement of the former minister of finance is based on false premises because the Créditistes have never advocated an excessive increase in the money supply. Criticism of a system is always easier after one has inaccurately described it. But if one begins by understanding the exact meaning of Social Credit, criticism becomes more difficult. In fact I have never met anyone yet who could criticize it by stating exactly what is Social Credit. Those people tried to ridicule it rather than understand it.

Mr. Chairman, the former minister of finance, who is now Minister without Portfolio, also stated:

> We must recognize that inflation is fundamentally unfair.

Because he had said previously:

> I do not believe that the proponents of Social Credit feel that price increases and inflation constitute a serious danger.

And he said that Social Credit would create inflation. He said especially, and I am still quoting from his speech:

> If the money supply increases unduly, it will lead to price and cost increases and to balance of payments difficulties. If such increases in the money supply and consequent increases in the pressure of expenditures in the economy should persist, we can expect that ultimately it will lead to inflation and, in a country such as ours, to an exchange crisis.

The former minister of finance was waving the spectre of inflation when talking about the Social Crediters.

Well, Mr. Chairman, have we not inflation, today? Is it because of the Social Crediters' theories which are applied. Not at all. They are laughed at. But we are in the midst of inflation, as big an inflation as Canada as never known since the Liberal government came to power. The Social Crediters are not responsible for the present inflation, and still we are smack in the middle of it. What is the cause of inflation? The present government, by continuously increasing taxes, brings about price increases and when prices increase, the workers naturally ask for higher wages and when wages increase, prices increase. But the primary cause, the true cause

of price increases and of the inflation now being felt in Canada is the increased taxes which have been continuously rising since the present government has been in power. That is the cause of inflation. If we are in a period of inflation brought about by a government of which the hon. member for Davenport (Mr. Gordon) is a member he claims: "The Créditistes will bring on inflation." But his own government has brought it about and it continues to worsen. Is there any logic in the criticism of the hon. member for Davenport? None at all, since he is one of the men responsible for the inflation we are now undergoing. And he would blame it on the Créditistes while he has brought it about himself. And he claims:

The other chief danger—

because there are two chief dangers the former minister of finance used to see in the Créditiste theories.

The other chief danger arising from excessive expenditure associated with an excessive increase in the money supply is the effect on the balance of payments.

Well, Mr. Chairman, the Créditistes are not currently in power and applying their theories to Canada. The government is a Liberal one.

Let us look at what that government has done in regard to unfavourable balance of payments of our country.

I have here the latest edition we have received of the Canada Statistical Review, dated February 1967, and on page 70, we shall see what is the balance of payments after three years under a Liberal administration, when during part of that period, the former minister of finance, now Member of the Administration, the hon. member for Davenport, was in office.

In 1965, when the minister made that statement, he had been minister of finance for two years already, what was the Canadian balance of payments? Did it show a surplus? Indeed not. It showed a deficit of $1,083 million at the very time when the former minister of finance was telling us that Social Credit was going to be a danger to our balance of payments.

Are the Canadian citizens to blame? No, Mr. Chairman, because if they had had their say in the matter our balance of payments would have been favourable, since two factors must be considered with regard to the balance of payments: the commodities accounts, that is exports and imports, and the invisible accounts, that is the inflow and outflow of money.

Let us examine the commodities accounts. We worked hard, we produced enough and we exported more than we imported. If one looks only at the commodities account, imports and exports, that is the work done by the people to produce, put on the market goods which are not too expensive, that represents a balance, a surplus of $118 million in the balance of payments. Thus, the Canadian people must not be blamed for the unfavourable balance of payments which showed a total deficit of $1,083 million, in view of the fact that in foreign trade, exports and imports alone, we had a surplus of $118 million.

• (6:30 p.m.)

But then we come to the invisible accounts, the capital inflow and outflow, because our governments are forced to borrow in New York, London or Belgium, all over the world, because the Bank of Canada does not fulfil its duty, and does not hold sufficient credit to provide for the development of the country. There we see that we have a deficit. So we borrow elsewhere, pay interest rates on foreign loans and end up with a deficit of $1,201 million.

Was a Social Crediter responsible for that? No. The Minister of Finance was in office at the time. He was the one responsible for this deficit in the balance of payments, but he still had the nerve to say: it would be dangerous to accept the Social Credit theories; our balance of payments could be seriously threatened. But it was worse than a threat; at the time the danger not only existed but we showed an unfavourable balance of payments totalling $1,083 million with a deficit of $1,201 million only because our Bank of Canada was not assuming its responsibilities, and our municipal and provincial goverments were forced to borrow in the United States, England and sometimes all over the world.

Mr. Chairman, it takes quite a bit of nerve to blame Social Credit theories for the two plagues, the two great calamities of that period, which still exist today, namely an endless inflation and an unfavourable balance of payments unprecedented in our history.

Nevertheless, the former minister of finance said there was no fault or mistake to be found in the monetary system we have today. In fact, he said: I am convinced of the necessity of influencing the money supply to help our economy reach its full potential, at a given

time, and to enable it as well to reach a high and constant growth rate.

According to the minister, the handling of money supplies and the regular growth rate were adequate at the time. He felt that that was good and he flattered himself that the expansion was very satisfactory in 1965. Yet, we now realize that the monetary and economic policies implemented by the former minister of finance have led to inflation—of which he is responsible—and restrictions in many fields, in short, they are the cause of the increased unemployment we are now experiencing.

Mr. Chairman, it is all very well to criticize the Social Credit theories, to say that they are nonsensical, that their application would lead us to inflation and create problems in our balance of payments, but we realize that our present monetary system has all those flaws, even though a Liberal government is now in power. We live under this faulty monetary system and the government does nothing to change it and to put an end to the situation.

Mr. Chairman, it is time we found solutions to the problem. It is time to establish a system which will allow the Canadian people to benefit from the wealth of the nation and be prosperous in such a prosperous country.

The subject we have been dealing with, and which I myself had the opportunity of dealing with on several occasions, is that we should like credit to be created by the Bank of Canada rather than by the chartered banks. I must say, Mr. Chairman, that the answer we have received from the Minister of Finance has been far from adequate; he tried to evade the problem instead of giving an answer. He charged us with statements which we had not made, but he still did not answer our questions, far from it.

In any event, the people will read his answers and decide which one of us is right. The minister wants to leave control of the monetary system in the hands of the chartered banks, or rather leave the control of the creation of credit—or, I might say, the operation itself—in the hands of the chartered banks, whereas we want it given to the Bank of Canada.

There is another very important point, Mr. Chairman. On what basis does the government decide how much money should be in circulation?

For a long time, we were told that money was based on gold. There are even members in this house who travelled across the province of Quebec, saying: Social Credit is a lot of nonsense; money is based on gold and cannot be based on production. Money is based on gold. So many people told us that. Perhaps 75 per cent of the present members imagine that money is based on gold. The Parliamentary Secretary will say no, because he has heard the replies of the governor of the Bank of Canada on this subject.

Page 997 of No. 19 of the Minutes of Proceedings and evidence of the standing committee on finance, trade and economic affairs for 1966 gives a few questions I put to the governor of the Bank of Canada. And I quote:

> Mr. Rasminsky, I would like to ask you what is the reserve in bullion behind Bank of Canada notes?
>
> Mr. Rasminsky: Nothing at all, Mr. Grégoire. The Bank of Canada has no bullion, no gold.
>
> Mr. Grégoire: There is no gold reserve behind Bank of Canada money?
>
> Mr. Rasminsky: No, Mr. Grégoire.

May I point out that the matter was very simple; but we had been told so often that money was based on gold that I still hesitated. I continue:

> Mr. Grégoire: It is true, then, to say that Canadian money is not based on gold?
>
> Mr. Rasminsky: Yes.

Three times in a row, I was told that money was not based on gold. A little further on I asked Mr. Rasminsky, and I quote:

> I would like you to say that ten times in a row. I had heard it said in Canada that our money was based on gold. So there is no gold reserve whatever behind Bank of Canada bank notes?

• (6:40 p.m.)

I put another question to Mr. Rasminsky. Here it is:

> But Canadian money is not based on gold?
>
> Mr. Rasminsky: No, sir.

Is it clear enough, Mr. Chairman? Canadian money is no longer based on gold. We have known it for a long time.

In that case Canadian money is based on what? On faith and credit, I will be told. Well, if money is based on faith and not on gold and if you want to increase the money supply, you have only to get Canadian people together and ask them to shout very loud: We have faith, over and over again, and then increase the money supply. Is that how the money supply is increased? Is it done by saying that money is based on faith and by asking all the people to shout together: We have faith in the dollar, let us put it on a

pedestal, let us kneel before it and say: We have faith. If money is based on faith rather than gold, I feel that if there is more faith there should be more money.

We are told that money is based on faith. In my opinion, it is somewhat like the minister's answer. I am ready to believe that the minister is not too happy about the way he answered my question and I quote:

—feel and flair—

Maybe a little judgment, to a certain extent, but not too much, because one must not rely too much on the judgment of the Minister of Finance. He stated flatly: I do it by feel and flair and to a certain extent—not too much but some—it remains a question of judgment. But it is mostly feel.

When one asks on what money is based, one is told: On faith. What kind of monetary system is that, Mr. Chairman? Quite an unusual system based on faith, feel, flair and maybe on a little judgment.

Mr. Chairman, Canada should give itself a scientific monetary system, based on reality, on what it represents. In philosophy, Mr. Chairman, smoke is a sign and fire is the significatum. Therefore, if that is applied to money, the sign is the dollar but the significatum is the production. What is the real value of both? It is not the sign, but the significatum. It is the significatum which is the real value, the dollar; money is only a sign which represents, according to the philosophical terms I used earlier, the real value of the country, the real wealth, our production, our ability to produce, our real title. The dollar is only a symbol.

Mr. Chairman, when it comes to evaluating the temperature, the significatum is the temperature; the mercury in the thermometer is only the sign, and the mercury is there only to represent the degree of heat or cold whereas the real value of the temperature is the cold or the heat. The mercury is only a sign which represents the significatum.

Well, Mr. Chairman, if I confine myself to monetary system, our real value, that is the significatum, must be the country's wealth, our output, and the sign must be the dollar, the money supply. However, the sign must give an exact and adequate representation of the significatum. The sign must be a true reproduction of the significatum; otherwise, the sign is broken and diverted from its true role. For instance, if the temperature is—let us say—90 degrees and the thermometer indicates only 8 degrees, it will be said that it is out of order, that it is broken and does not represent the true and exact temperature outside, since it is actually 90 degrees, as evidenced by three or four other thermometers, but the other one is broken for it says only 15 degrees. Therefore, the thermometer must be changed.

Similarly, in the monetary system, Canada has a considerable output or wealth. Every last one of us says that Canada is a rich and prosperous country with its oil wells, its wheat production, its ore, its iron, asbestos, copper and nickel mines, its forests that supply lumber throughout Canada and pulp and paper throughout the world, with its tremendous sources of electric power. We have a rich and prosperous country. But because the sign is lacking, the sign which must give a true and adequate representation of the country's wealth, the Canadian citizens are not as prosperous as the country.

Canada is a prosperous country. But because the sign is inadequate, because our monetary system, which is the sign, does not adequately represent the country's riches and prosperity, because that monetary system is like a thermometer that is out of order. As a result, the sign, that is, the dollar, is preventing production from reaching Canadian homes and the Canadian people. The result is a simple one: it can be said that our population is poverty-stricken in a land of plenty.

Our country is one of the richest in the world. But, nevertheless, there are at present, in the province of Quebec alone, 114,000 unemployed who live on meagre unemployment insurance benefits and as many persons in receipt of welfare allowances who do not live, but merely exist with the small weekly or monthly benefits they receive. This is taking place in a so-called prosperous country where the Canadian people are unable to share as they should in the national prosperity, wealth and development.

Mr. Chairman, this points to a deficiency. If our monetary system, which is the sign of our prosperity, is a failure, if it does not represent more adequately the country's wealth and prosperity, it is then up to parliament and to this committee of the whole to study the Bank Act, the Bank of Canada Act, which is the sinew of our monetary system. It behooves us to change this monetary system, to gear it to modern times, to the country's wealth, to the Canadian people,

so that this wealth may reach Canadian homes and the Canadian citizens.

This is what is lacking today. Why? In spite of our enormous production, of our tremendous wealth, the fact remains that the sign of that national wealth and prosperity is inadequate since it does not enable the Canadian people to avail themselves of the country's wealth.

Well, then, I say it is up to all of us to consider in depth this Bank of Canada Act which is the main sinew of our economic life, to amend it and change it so that the Canadian people may benefit more from the prosperity of the country.

Some claim that we are infringing upon their privileges by speaking too long. Mr. Chairman, I will say this to those people. We have had the Bank of Canada Act under consideration for two days only. It had not been before parliament in 12 years and the Bank of Canada controls the whole monetary system and the whole life of the country. It is the main sinew of our monetary system and of our whole economic life. Yet, some people find that two days is too long even though some hon. members found means to talk for three months on the Canadian flag. Let no one tell me that two, three or four days, or even two weeks is too long for the members who are present here to analyse the amendments to the Bank of Canada Act.

Unfortunately, Mr. Chairman, and I mean unfortunately, I realize there are not enough members elected by the people in this house who are really concerned with the amendments to the Bank of Canada Act. I realize that there are not enough who would study our monetary system and toil over the amendments required to improve the Bank of Canada. Unfortunately, I realize that the Minister of Finance is too steeped in or imbued with the prejudices of the traditional, conservative and orthodox economic system to be in a position to find the solutions to our present economic problems.

Mr. Chairman, time has come to bring about drastic changes to our economic and monetary system if we want Canada to make advances, if we want the Canadian citizens to share in the wealth of Canada, because at the present time—it is a sad thing to say—foreign investors benefit and share much more than the Canadian citizens in the gains derived from the development of our natural resources. Foreign investors get more profit out of our natural wealth than our Canadian citizens. Our Canadian citizens work in the woods, in the mine pits while foreign investors reap the benefits. Why? Because we are told that we do not have enough capital to invest in the development of our country. Canada will never really control its economy until the day when it sets up the necessary institutions which will bring in the capital required for the development of our country. Until then we shall keep on trying to administer with the minister's flair and feellings, with a little judgment if necessary, but the economy of our country will not make progress that way. What is needed is a scientific and rational system.

• (6:50 p.m.)

[*English*]

The Chairman: The time allotted to the hon. member has expired.

[*Translation*]

Mr. Gauthier: Mr. Chairman, I find it difficult to see a quorum in this house, and I must talk in front of at least 21 members. Actually, I see two, four, five, six, seven, eight, nine, ten, 11, 12, 13, 14, 15, 16—16, Mr. Chairman. In my opinion, this is not a sufficient number to deal with such an important matter as the structure of the Bank of Canada; consequently, I would ask for an adjournment until eight o'clock, if we cannot have a quorum.

[*English*]

The Chairman: Perhaps I should read to the hon. member the standing order relating to the quorum. Standing order No. 3 reads as follows:

> The presence of at least twenty members of the house, including Mr. Speaker, shall be necessary to constitute a meeting of the house for the exercise of its powers.

The Speaker referred to in the standing order would, of course, include the chairman in the case of committee of the whole. The next paragraph reads:

> Whenever Mr. Speaker adjourns the house for want of a quorum, the time of the adjournment, and the names of the members then present, shall be inserted in the *Journal*.

Perhaps I should also read, for the hon. member's benefit, citation 60 from Beauchesne, page 48:

> Any member may direct the Speaker's attention to the fact that there is not a quorum present. The Speaker will proceed at once to count the house, and if there are not twenty members present, including himself, the Clerk will take down the names, and the Speaker will then adjourn the house without question first put until the usual hour on the next sitting day.

Further on in citation 60, I find this:

When committees of the whole, supply or ways and means are compelled to rise for want of a quorum, they neither report progress nor ask leave to sit again.

I would, therefore, ask the Clerk Assistant to count the house.

On the count being made, 20 members were declared to be present.

The Chairman: I have been advised there are 20 members present and the committee is properly constituted.

[*Translation*]

Mr. Gauthier: Thank you, Mr. Chairman, this is exactly what I wanted, 20 members at least. There is one member leaving, so we remain 19.

Some hon. Members: Oh, oh.

Mr. Gauthier: Mr. Chairman, I feel that questions of such importance as those concerning chartered banks and especially the Bank of Canada, which is our national bank, the bank of the people, should interest at least 50 per cent of the members. I can assure you that if the citizens of Canada were in the galleries this afternoon they would be stunned by the unconcern of the hon. members for such essential matters.

Mr. Chairman, when we consider that we are dealing with the very essence of our economical life and we have difficulty in finding 20 members responsible enough to try and settle the problems which affect us so closely, we wonder where we are going.

Mr. Chairman, in my speech of yesterday I mentioned that the control exercised by the Bank of Canada was more on secondary matters than on the monetary question, as it was meant to have us believe, that the bank was more anxious to prevent from speaking, through the use of occult forces, those who care for monetary reform in Canada, than to control effectively our monetary system; and I gave supporting evidence to that effect. Those which I read in the house were trustworthy since most witnesses were technicians or former governors of the Bank of Canada who appeared before the committee in 1954.

I will sum up Bill No. C-190, Mr. Chairman, by asking: What do we find in it? Only trifles, superficial amendments, in short: no substantial amendment. We study a small bill, the national bank bill that has 20 articles, and to discuss these articles, there are hardly 20 members in the house who look like they are sleeping in their seats and who seem to be saying: When will we at last be through. How do you like that, Mr. Chairman.

Yesterday afternoon I felt new hope when I heard the member for Lapointe (Mr. Grégoire) giving such clear information, and above all, asking the minister some questions—

[*English*]

The Chairman: It being seven o'clock, and pursuant to an order of the house made on March 3, this sitting is suspended for one hour.

Before leaving the chair, may I read the questions to be considered at the adjournment tonight? They are, the hon. member for Trois-Rivières (Mr. Mongrain); transport—Trois-Rivières, P.Q.—representations against an increase in fees on the St. Lawrence seaway and the Welland canal; the hon. member for Skeena (Mr. Howard); dominion-provincial relations—British Columbia—proposed establishment of harbour commission.

SITTING SUSPENDED

SITTING RESUMED

The committee resumed at 8 p.m.

[*Translation*]

Mr. Gauthier: Mr. Chairman, it affords me pleasure, after taking a good meal, to proceed with the few remarks I wish to make this evening. I hope that the minister, as well as his parliamentary secretary, have regained their strength, in order, at least, to listen very patiently to what we have to say about the Bank of Canada.

As I was saying before supper, our hopes were renewed last night when we saw the house listen quietly to the remarks of the hon. member for Lapointe (Mr. Grégoire) and we really hoped at the end of the day that some would understand something about our claims and the cause we are defending. But lo and behold, through some magical power, I suppose, a financial wind swept over that quiet assembly; everything changed and members of the government returned to their old ways and showed as much ignorance as ever.

However, Mr. Chairman, I believe such discussions were useful since, first of all, we succeeded in having the minister express his opinions at various times, but not always.

And this will be published in the record. What we are saying today is not so much for this committee but for the record and for those who read it and who want to know what is going on in this house.

We succeeded in having the minister admit that chartered banks actually create money, that they receive deposits from the Bank of Canada, that cost absolutely nothing to them, deposits which they have a right to multiply twelve times and a half and to lend at 8 and 9 per cent.

We wish the government would attribute certain members four, five or six members, small banks like that, which would not be expensive. I believe it would be profitable to multiply them so as not to always grant such a little group the privilege of taking hold of this country's wealth and of impoverishing the rest of this country. But what would be still better and what we are longing for is that the Bank of Canada plays its part. We do not want to upset anything in the financial system; we simply want every organization to play its part.

The Bank of Canada, which is the bank of the Canadian people, should deal with the general public, and the private banks, that is the chartered banks, the credit unions and so on, should operate in the private sector. I think this is perfectly logical, whereas the system we have today is totally illogical. I am surprised to see that people who consider themselves intelligent do not understand this problem or, if they do, refuse to say so—for I am certain that the Minister of Finance and his parliamentary secretary are intelligent enough to understand it. They know very well that if the Bank of Canada were to take over the present functions of the chartered banks with regard to the creation of credit, there would be no more inflation than is created now by the chartered banks with the same means. They are fully aware of that. Only, the minister cannot speak up because, as I said yesterday and tonight before supper, he is prevented by some occult power from being himself and from saying what he thinks, as are also all the other people involved in the present financial system.

• (8:10 p.m.)

I was rather surprised, four years ago, to hear the director of a chartered bank who was also a member of parliament tell me, as I was having a discussion with him: "My friend, do you think we do not know what you are saying in the House of Commons? Do you think we are not aware of all this? And you are 100 per cent right". That is what he told me. I asked him: "Why do you not let the Bank of Canada undertake such operations?" He said: "My friend, I would like to keep my head on my shoulders". That was a serious thing to say. And that is where I saw the power of international finance, which controls not only our country but most of the nations of the world.

We are glad that the Minister of Finance and Receiver General told us several important truths. He had to hide some from us, for he was not in a position to tell us everything. But he should not say, for example, that he is here to look after the interests of the people, when he is here to look after the interests of the trusts. Let him no try to sell us such stories.

Mr. Chairman, yesterday I mentioned some evidence which was put before the finance committee in 1954. Ever since the beginning we have talked a great deal about the present review, the third since the creation of the Bank of Canada.

I was just reading over some most interesting passages, although an attempt was made to hide them from the public at large; they might also prove interesting for the members of the house, but since they seem to be deaf to all truth, I will now put them on record for the benefit of the people.

I was just referring to the words of a former speaker of the House of Commons here, hon. Mr. Macnaughton, who said:

> It seems that now, and always, I believe, if we succeeded in controlling credit by changing for instance the cash reserve of chartered banks, we could eventually stabilize our economy and generalize a monetary system which might improve while expanding—

I am convinced that what Mr. Macnaughton had in mind when he said this, was to increase gradually the chartered banks' reserve to bring them to save 100 per cent of liquid assets instead of the usual 8 per cent they accepted at the time on a deposit. Today we are down to an average of 6.6 per cent. I believe that Mr. Macnaughton gave most valuable advice to the committee in an endeavour to improve gradually the control that the Bank of Canada must exert over our whole monetary system.

After such a straightforward statement, can you deny that the only way to control a company, for instance, is to own at least 51 per cent of its shares? On the other hand, is it not ridiculous to talk about control when you hold only 8 or 6.6 per cent?

So Mr. Macnaughton hoped that the Bank of Canada would slowly recover monetary control. I believe that is clearly logical. That is why we claim that we can gain control of banks through the Bank of Canada when we own 100 per cent of the new credits which are the exclusive property of the chartered banks.

The day is yet to come, I think, when the government, through the Bank of Canada, will cease to control only the insignificant reserves of those who control the blood of the nation and will force chartered banks to have larger deposits than the 10 per cent required each year.

Then the banks, as well as caisses populaires and other near-banks, will only be authorized to lend to the extent of their actual assets and not on the basis of fictitious accounts. I would refer those who still think we are talking through our hats, to page 158 of that same report, where they will find the answers of Mr. Towers to Mr. Cannon and the proof that bankers do get favours from the Bank of Canada.

Mr. Cannon:

Q.—I understand that to make money more readily available you buy government bonds?

A.—Yes.

Q.—I see by your balance sheet dated December 31, 1953 that, apart from government bonds and fixed capital, your assets are only about $90 million?

A.—Yes.

Q.—Supposing that in order to reach a certain objective you had to buy for more than $90 million worth of government bonds, how would you go about paying the amount in excess of $90 million which you would not have and which you had to pay immediately?

A.—In answering this question I might invite the criticism of Mr. Low on the one side and Mr. Macdonnell on the other, for we would pay the additional government bonds by crediting the amount in our books, namely to the deposit account of chartered banks. Whether or not we purchase the bonds from the banks is immaterial, this procedure can be repeated indefinitely.

Q.—Indefinitely. I thought so, but in an emergency would you not simply make a new issue of money? I suppose you would only have to make a book entry and then pay the bonds, thereby increasing the amount of money in circulation?

A.—Any book entry increasing chartered banks' deposits actually constitutes a new money issue.

Q.—That is creating money, is it not?

A.—Yes.

Is that plain enough, Mr. Chairman? Creating money with one stroke of the pen. You see how easy it is for chartered banks to obtain money. Should they lack any, the Bank of Canada will even be so generous as to make deposits for them. Then, the chartered banks will only have to multiply the said deposit, which did not cost them a penny, to lend the whole amount to the people. It is as simple as that.

But, it is precisely that operation that the financiers have always withheld from the people. And Mr. Cannon continues:

Q.—During your testimony, you said that there is no limit to the amount of money which can be issued at any time?

A.—That is right.

Where is the control of the Bank of Canada, Mr. Chairman? Do you not think that it would be a good thing to set a limit? Here it is the chairman of the committee, mind you —it is the chairman of the committee who comes to the rescue of the governor of the Bank of Canada, short of arguments. Besides, the same thing occurs all through those inquiries, when the big shots are in danger, when the representatives of the people attempt to know more about the limits set by big finance. Listen to the last answer of the chairman of that time.

• (8:20 p.m.)

We already have fully discussed that matter.

That is the real shield of the present financial myth. The truth must not be revealed. Therefore, what is the part played by that chairman? I ask you. Is he not there to guarantee the freedom to both parties or to provide only the security of the big financiers? It is for you to decide. As for me, I have only read the evidence. It is strange anyway. And the saddest part of it is that these actions from the chairman occur on many occasions. For example, on page 128, when Mr. Tucker was questioning Mr. Towers:

Mr. Towers, you still hesitate at this time to tell us whether it was wise or not on the part of the federal government in the early thirties to deliberately let the deficits accumulate to make up for the purchasing power which was no more in the hands of the people?

Mr. Towers: I do not think I can possibly give you a straight answer because I have too many reservations to make.

Imagine that. "I have too many reservations to make," he said.

That is one of the interesting questions to the solution of which the representatives of the government should devote themselves. That is it. We are paid to do a job, when we are not able to do that job anymore we shift the responsibility to the government, to the members. It is so easy, so simple. A member is always ready to bear with everything, so we pass it on to the members.

And the chairman interjected in those terms:

Why not leave the task to the historians?

That is the final and clever answer from a committee chairman. That is a very intelligent retort for a committee chairman. It is the instruction to transfer everything to history, to hide everything behind the curtain of ignorance.

Which moved Mr. Pouliot, now a senator, to say as shown on page 93 of the report:

I realize that high finance is not within the grasp of the people. We can neither see nor understand it and I would be most interested in obtaining information on the staff of your bank. I would like to know the salary of Mr. Brooks, your doorman? I asked Mr. King and Mr. Abbott and they told me it was not proper to ask such questions.

And the joke goes on, Mr. Chairman. Behind each director lurks an occult force that continues to haunt parliament.

The people responsible for the Bank of Canada, the chartered banks, the Department of Finance, have their secret sessions just like in the times of emperors, and they sit at the same table as the great world financiers.

Sometimes, tips are passed on, sometimes a danger will be forecast and even the Bank of Canada will supply arms to fight the enemy No. 1, the people. Then, it will be decided to take away or give them something more, according to the whims of the financiers. This is called inflation or deflation.

Has anything changed today after 13 years, the last inquiry into the banks dating back to 1954? Not in the least. As for the inquiry, the present chairman seems to have received the same orders as the chairman in 1954 to protect big finance. It seems the briefs which most favour our present financial system are the ones that are discussed. Witnesses are called before the committee who favour the status quo, while those who are hostile to it are almost systematically kept away.

A few are accepted, merely to confirm the rule. I do not know whether the chairman does all this willingly, but on reading the proceedings one gets the feeling that he is somewhat like St. Paul who said: "For the good that I would I do not; but the evil which I would not, that I do".

And the victim, the people, continue to be sacrificed on the altar of the golden calf, big finance. The astounding thing about it, is that we always find in our midst, more and more high priests of big finance to offer the holocaust without uttering a word. A foreboding of this occult course probably moved His Holiness Pope Pius XII to say that those who control money and credit, control the blood of the nation, and that without their permission, no one has the right to live.

Mr. Chairman, I wanted to read statements of people who are not socreds. I also want to point out that I could quote, for hours on end, people who, although they do not look upon social credit with favour, still advocate financial reform. For instance, I could name Rev. Father Lévesque, one of the great French Canadians, who said:

If you would not have communism nor socialism, then set social credit against them. It alone has the means to check those two perverse movements.

Today, we no longer hear of Father Lévesque. He was banished to Africa. That is how I was able—I know the family very well—once again to see first hand that real strength which can neither be seen nor felt, but which stands there watching the interests of big finance. It is a royalty which, it seems, it is very dangerous to attack.

As for us, it may be that we have more gall than the others, but we attack that royalty which is high finance, for we think that if we do not destroy that myth, tomorrow the people will be destroyed. We are here to save the life of the people, Mr. Chairman. I feel all the members should realize that the time has come for the Canadian people to deal with its business seriously, and to see to it that those various organizations fulfil the role for which they were created.

When one considers the Bank of Canada Act, its definition, the first duty it must perform, one finds that this role has been well determined: to control currency and credit 100 per cent. What has caused it to abandon its role? The power of financiers who have bought the representatives at a good price to stop it from doing its duty.

Mr. Chairman, if someone will listen to us once more, we just want the Bank of Canada to create, on behalf of Canada, on behalf of Canadians, new credit and to cease giving for nothing our yearly surpluses to the chartered banks which are private institutions. I do not despise them, far from it, but they have their duties and I say that they are not playing their role at this time. As a matter of fact, they are taking over the role that belongs to the Bank of Canada, and it is imperative that the Bank of Canada should control credit and particularly put it at the service of Canadians and stop the practice of borrowing our own credit.

Bank of Canada Act

• (8:30 p.m.)

Someone was asking me the other day: But, sir, what are we going to do to get rid of those debts that accumulate from year to year?

And I answered: "My dear friend, with the system we have, there is only one way. That is to stop producing, because as soon as we produce, as soon as we have surpluses, we have a new debt the next day. To stop getting into debts, we must stop producing."

Mr. Chairman the more we produce, the more debts we will have. Because it is essentially the basis of our present system, because the Bank of Canada is a debt agency, that has been made quite clear in every report.

Mr. Chairman, I still would have a number of reports to quote, such as, for an example, Hon. Lucien Maynard's brief which is reported on page 318 of the proceedings and evidence of the standing committee of 1954. Hon. Mr. Maynard submitted a marvellous brief in which he gave some definitions, some examples, an historic outline of the banks within our financial system. In the second part of his brief he referred to the faults of our financial system. He also referred to the accumulation of debts as a defect, and he compared our financial system to a poker game.

I believe, Mr. Chairman, it would have been more interesting for all members if they had read these reports once, twice and even ten times, to understand at last the ridicule of our present financial system.

Mr. Grégoire: Mr. Chairman, I have but one question to ask of the Minister of Finance. Up to this point, I have had the opportunity to give some explanation of our ideas on credit creation. I should now like to leave this area. I have put my questions in this regard and I think I have given the long and short of my views. We have the answers of the Minister of Finance recorded in *Hansard*. We will now let the Canadian public be the judge both of the value of the arguments with regard to credit creation and of the minister's answers. The public will be the judge and will decide who, in these discussions, brought forward useful arguments and suggested amendments to the Bank of Canada Act so that the Canadian people may profit by its monetary system.

The question I should like to put tonight deals with another thing. I have begun to touch upon the subject this afternoon. I refer to the money supply in circulation, to the volume. As clearly stated by the minister, it is obvious that it is the Bank of Canada which decides what the money supply will be. If the Bank of Canada issues $1,000 in cash, it means that there will be $100 worth of money supply, once the chartered banks have proceeded to the creation of credit. If the Bank of Canada wishes to bring that $100 down to $50, all it has to do is to withdraw $4 from Canada's money supply. On the other hand, should it want to increase the money supply to $150, it will simply add $8 in cash, and then the money supply will jump to $150.

What I would like to know from the minister is this: How does the Bank of Canada proceed to determine what the volume of the money supply should be? On what criterion did the Bank of Canada base itself in 1960, for example, when it enacted that the money supply would be about $12 billion, that it would be $15 billion in 1964, $17,186 million in 1965 and that, at the end of September, 1966, the money supply would be $18,155 million? At least there is an increase. It is not a round figure increase when you add $800 million at a time, or $1 billion, no, that is different from month to month, that can increase by $197 million.

What I would like to know is this: What are the criteria upon which the Bank of Canada bases itself to increase that money supply? Are there any criteria? What are those criteria which are dictated to the Bank of Canada and by which the latter determines, at a given time, the volume of the money supply?

One who receives the monthly reports of the Bank of Canada knows that the money supply fluctuates continuously, from week to week, and that every week, the Bank of Canada buys or sells bonds to keep the money supply in constant fluctuation.

Tonight, I should like to ask the minister the following question: What are the precise criteria the Bank of Canada uses to determine what will be, on a given day, the volume of the money supply in Canada?

I hope that the minister will be able to answer that question immediately.

[*English*]

Mr. Sharp: I shall do my best to reply to these questions of the hon. member for Lapointe whose curiosity is insatiable. May I reply by quoting, first, the statements made by the governor of the Bank of Canada to the royal commission on banking and finance, the Porter commission, in which he put

forward the standards he was trying to maintain for the economic and financial welfare of the nation? They are—

• (8:40 p.m.)

—sustained economic growth at high levels of employment and efficiency, internal price stability and the maintenance of a sound external financial position, an equitable sharing of economic benefits and burdens and the maintenance of a high degree of economic freedom.

Those were the general objectives of the governor of the Bank of Canada in implementing monetary policy. If the hon. gentleman's curiosity is not satisfied by that very general statement perhaps I should refer him to the annual report of the governor to me for 1966, which was tabled in this house. In that report he will see a discussion beginning at page 4 and continuing for several pages in which he gives a detailed account of the considerations he had in mind in determining the volume of cash reserves of the bank, and how generally he operated in the market to influence the volume of money. He will find there an exercise, as I referred to it previously, of judgment.

[*Translation*]

Mr. Grégoire: Mr. Chairman, if I am not mistaken, the hon. minister quoted an answer, rather a brief presented by the governor of the Bank of Canada, Mr. Rasminsky, and in that answer, as far as I can recall, although I may not have heard everything, all the criteria set by Mr. Rasminsky, the minister told me that the Bank of Canada puts in circulation the necessary currency to increase the money supply in such a way as to ensure the economic growth of Canada and to provide for adequate employment. Are those, more or less, the two criteria mentioned by the minister?

Mr. Tremblay: Price stability and exchange stability.

Mr. Grégoire: Then, there would be four criteria which the governor of the Bank of Canada would use as a basis to increase the money supply, to reduce it or to keep it at a given whatever, say level X, and those four criteria would be the following: to ensure economic growth, to keep up employment at a reasonable level, to maintain price stability and to keep up exchange stability.

It is therefore obvious that the Governor of the Bank of Canada has failed all along the line.

First of all, he is far from having maintained price stability. We are experiencing an inflationary period as never before, nobody can deny it. The Governor of the Bank of Canada claims to be maintaining the money supply at the proper level to ensure price stability, and throughout Canada, people complain about inflation. No later than today, the governor of the Bank of Canada complained in the press about inflation and the lack of price stability. Well, if I take my stand on that criterium, the Governor of the Bank of Canada and the Minister of Finance have missed the boat.

What is this reasonable level of employment that they strive to maintain? There are 114,000 unemployed only in the province of Quebec. That is some reasonable level of employment. Once again the criteria of the governor of the Bank of Canada have proved a complete failure.

The minister says that just enough money is being provided to maintain a reasonable level of employment. Just enough, eh? In Quebec, 114,000 jobless. Is the minister satisfied? I think he has left. It was becoming embarrassing to realize that their whole policy is turning out to be a complete washout. Our minister is in a quandary because he left when he heard: maintain the economic growth. Well, in his article published today, the governor says that the economic growth must be controlled. He is no longer trying to maintain it.

I quoted yesterday an answer given by the Minister of Finance, as reported on page 3000 of the minutes of proceedings and evidence No. 43 of the standing committee on finance, trade and economic affairs. He said then:

Mr. Sharp: It is the pressure upon our resources which arises from demands upon them.

I had asked him:

And to what do you compare your satisfaction?

At seeing there is enough money at present.

Is it to actual production of Canada, the actual goods produced in Canada?

And the minister replied:

It is the pressure upon our resources which arises from demands upon them. In other words, I have felt that economy required, for stability, some restraint.

Therefore, the minister is advocating and preaching restraint. I have here the article in question. It also appeared in *La Presse*.

Bank of Canada Act

On Tuesday, March 14, 1967, it made headlines in *Le Droit*:

Rasminsky: prices and costs have risen too sharply in 1966.

Mr. Chairman, this underlines the very failure of the policy of the Governor of the Bank of Canada. The volume of the money supply is maintained and increased just enough to maintain price stability.

Now, prices lack stability.

And the Governor of the Bank of Canada says so himself:

Prices and costs have risen too sharply.

Now, with regard to that criterion, the Governor of the Bank of Canada sure muffed it.

Second criterion: maintain reasonable employment. Try and tell that to our unemployed in the district of Lotbinière, in the district of Saint-Maurice-Laflèche, in the district of Matapédia-Matane; in that area there are even more unemployed than elsewhere.

Try and tell that to the governor: a reasonable money supply is needed to maintain reasonable employment. Try and tell the unemployed that they are reasonably employed. Will they think you are being reasonable about it?

An hon. Member: It is getting better.

Mr. Grégoire: It is a matter of reducing unemployment, they go live elsewhere. Unemployment then decreases in the Matapédia-Matane district.

Mr. Choquette: One thing is true: with Social Credit, we would have total ruin.

Mr. Grégoire: Total ruin. The expression of demagoguery. We already have total ruin at the present time. And now to cover up, to hide their incompetence, they want to cast the blame on those who are guiltless.

Third criterion: maintain the stability of exchange. Are they really stable when one realizes that in 1966 we had a deficit of $1,201 million in our balance of payments? To maintain the stability of exchange, to ensure economic growth. The Governor of the Bank of Canada, maintains that an adequate volume of money supply is sufficient to ensure reasonable economic growth. Take a look at the field of housing. See the sensational reduction of housing starts. Is that reasonable economic growth? When it is said for instance, that Quebec is unable to build a steel industry for lack of money. But the Governor of the Bank of Canada says that the money supply is sufficient, that its volume has increased sufficiently to maintain adequate growth. Look at the number of areas where economic growth is far removed from our wealth and our natural resources.

• (8:50 p.m.)

Mr. Chairman, I say it and proclaim it. If those are the four criteria on which the Governor of the Bank of Canada bases himself to determine what volume of money supply will be in circulation, well then, inevitably and obviously, the monetary policy of the Governor of the Bank of Canada is a monumental failure. And if the Minister of Finance and Receiver General of Canada is prepared to support him in spite of everything, I would then say that something is wrong. I would say that the Minister of Finance and Receiver General of Canada is not truly acting in a scientific way, but according to his feel and his flair, as he said yesterday, and he is proving to us that he has no flair.

I read in *La Presse* a statement of the Governor of the Bank of Canada:

Canada is seriously threatened by inflationary pressures.

What is he going to do with the volume of the money supply?

Mr. Rasminsky said that the increase in production costs and consumer prices may well price Canada out of competition with the United States and thus represents a threat of new problems for the country.

Is that what is called the stability of exchange? And the governor, who has the authority and the means to maintain the stability of exchange, has just more or less recognized the monumental failure of his policy since he recognizes it in the statement he has recently published.

And he adds:

The summit reached by costs and prices in the last two years of great activity in the Canadian economy demands reflection.

Now here is one asking us to effect, and the other wants feel and flair. This one asks that we reflect. Well, the Minister of Finance and Receiver General said it. So any complaints on demagoguery should be directed to the Minister of Finance. Perhaps I misinterpret his words—

Mr. Choquette: Indeed, you do.

Mr. Grégoire: The hon. member for Lotbinière (Mr. Choquette), says that I am mis-

construing his words. I shall repeat them. I know it hurts every time we quote statements of the Minister of Finance and Receiver General. I shall quote them again for the benefit of the hon. member for Lotbinière who might not have been here at the time.

I quote again from No. 43, page 2998, of the minutes of proceedings and evidence of the standing committee on finance, trade and economic affairs—

Mr. Chrétien: That is the fifth time he repeats it.

Mr. Grégoire:

Mr. Grégoire: If you have the control over the volume of the monetary supply, upon what do you base your decisions to set the monetary supply at a given level?

Hon. Mr. Sharp: When a governor of the Bank of England, Lord Norman, was once asked that question by J. M. Keynes he said: "I do it by feel and flair"—

The minister said that, not I and he adds:
—and I believe that a certain extent—

—not far, "up to a certain extent"—
—it remains a matter of judgment.

And the minister adds:

There is no mathematical formula by which the money supply can be regulated.

That, Mr. Chairman, is the fundamental flaw of the present monetary system. That is the fundamental mistake of the Minister of Finance and Receiver General and the government who do not want to see in an economic system something scientific but want to see in it something sentimental, something that depends on flair.

Mr. Chairman, we saw this afternoon—and I quoted statements from the governor of the Bank of Canada or the government has not a money is not based on bullion and that the Bank of Canada of the government has not a single ounce of gold to guarantee the Canadian dollars. What must be the main standard of the governor of the Bank of Canada when he decides the volume of the money supply?

I am going to tell it to the parliamentary secretary to the minister so that he might answer this because the minister has left. I see that he has realized that the answer he gave earlier was far from adequate and has left the house rather quickly. I regret it because the discussion was becoming interesting. But I will mention it to the parliamentary secretary to the minister and he might be able to give an answer. On what must the volume of the money supply be based? It is a purely scientific operation.

According to statistics which can easily be analysed, each time that the Bank of Canada puts in circulation $2 in cash, one dollar remains in circulation either in the cash registers of stores or in the pockets of the Canadian citizens and the other goes into the vaults of the chartered banks or in their coffers to be used as cash reserve.

Therefore, out of $2 put in circulation by the Bank of Canada, one remains in circulation and the other is used as cash reserve. There are statistics to prove this.

Every time there is a dollar in cash reserves in the coffers or drawers of the chartered banks, these banks can multiply that dollar by 12.5, which gives a money supply of $12.50. This is for each and every dollar.

If we continue to analyze the statistics and examine the cheques exchanged in private offices and the payments made in cash, we realize that each dollar in the money supply, meaning the total credit cash reserves, circulates 25 times in one year.

Each one of these dollars in the money supply, even if it circulates 25 times in one year, represents only $2.50 in purchasing power. To return to my original example, if the Bank of Canada puts $2 into circulation, one of them will go into cash reserves and become $12.50 in money supply, and if you add the other dollar, which remains a part of the cash in circulation, it brings the total to $13.50. These $13.50, after circulating 25 times, will represent a purchasing power of 2.5 times that, which comes to about $33.

Therefore every $2 put into circulation by the Bank of Canada will, during the course of one year, represent $33 in purchasing power, or just about. This may be calculated from the statistics available in the course of a month. Every month, we receive a booklet called the Canadian Statistical Review which gives the volume of production for the previous month.

• (9:00 p.m.)

Each month, the production for that month should be calculated, as is done now. If the goods and services produced amount to $33, the Bank of Canada should see to it that $2 in cash are put into circulation. If one dollar is already in circulation, the Bank of

Canada should add another, so that all production might buy itself through a corresponding purchasing power. If production increases by $33 in the course of a month, the Bank of Canada must take care to put another $2 in circulation which, circulating at a fixed speed, will eventually produce $33 in purchasing power—that is, a purchasing power equal to the increase in production during the previous month.

Should there be a drop in production, the Bank of Canada would have to reduce its legal money reserves in the same way it increased them. Then, Mr. Chairman, you have a scientific system, based on statistics, not a system based on mere judgment, on flair or feeling. The government get statistics every month through its Canadian Statistics Bulletin. I have had for some time the February 1967 issue. When the figures are available it will only be a matter of figuring out scientifically, mathematically, what was the total Canadian production for that month, how much money has been put in circulation at what rate to obtain what purchasing power, how much cash was needed, as I explained earlier, and of having accountants to maintain a constant balance between the purchasing power and the production, on the Canadian market, in goods and services.

Mr. Chairman, that is scientific, that is mathematical, that is taking into account the real Canadian values, the fact that a monetary system must be something scientific and not something left to chance. The minister said to the committee on finance, trade and economic affairs that he would perhaps need an electronic computer. I am all for it. If it is necessary to provide the government with a computer to enable them to get all the necessary data on the monthly production of goods and services that would take into account the rate at which money circulates, the purchasing power of the dollar circulating in Canada, all well and good because then it would be possible to provide this computer with statistical data and every month the government would know precisely, accurately, mathematically and scientifically what is the money supply required in Canada?

Mr. Chairman, that is scientific, that is mathematical, that is not imaginary; that is based on facts, since the real purpose of money is to enable one to buy what is being produced and money must be related to production.

[Mr. Grégoire.]

I regret that the Minister of Finance (Mr. Sharp) was not able to listen to this description of the technical method that we would have suggested to him. He has returned to his seat. I have suggested a rigorously scientific method to control the money supply in Canada, but in any event, since it was the last of the two questions that I had to ask the Minister of Finance, perhaps his parliamentary secretary (Mr. Chrétien) could comment for him on my few suggestions as to the purely scientific method that is required for the government to determine its money supply.

I would then ask the parliamentary secretary to the minister if he could somehow indicate what the government thinks about the method we have just suggested.

Mr. Chrétien: I will merely tell the hon. member that we are actually going to buy a computer to unravel the six speeches which he made.

Mr. Grégoire: Mr. Chairman, we see that the Department of Finance is running short of answers and arguments to reply in such a manner. I will not press the point. I will get some copies of *Hansard* and will show them to the people of Quebec. I will tell them: This is the speech I delivered in a very cool manner on a scientific method to determine the volume of the money supply. Would you like to know what the Department of Finance answered through the authorized channel of the parliamentary secretary? There is the answer. And it will be up to the people to judge the seriousness of the answers given by the parliamentary secretary.

Mr. Chairman, I think that this is another proof that the government is not at all interested in obtaining suggestions. The Canada Bank Act is revised every ten years. It has not been revised for the past 12 years. We are making suggestions to the government and this is how the parliamentary secretary answers. I think it is disgraceful for a man in his position and I find it even embarrassing for the parliamentary secretary to have answered in such a way.

I will not insist because I will leave it to the people of Quebec to judge the value and quality of the answers given by the parliamentary secretary on behalf of the minister.

Mr. Dionne: Mr. Chairman, I am somewhat surprised to find that with such an interesting subject as that of the organization of the Bank of Canada, an institution which is intended to find a way to accommodate the Canadian citizens by making available to them the wealth produced by them in their own country, the participation in the discussion seems limited to a certain group of members. However, I draw some satisfaction out of this situation since it will enable me to express my views on the matter.

By the way, I do not forget that ever since I became a member of this house I saw debates last for one month and even a month and a half on matters which were sometimes trivial and contributed to cast a shadow on our members' reputation. And still, almost the whole team was ready to clarify its position on the Munsinger case, for instance, and many others.

When you contemplate a means to tax people, then you have a good turn-up for discussion. But when you are looking for a system which would enable Canadians to enjoy a decent way of life, members who are ready to take part in the debate are much less numerous.

It surprises me that after so many years of study and after thousands of opportunities to realize that the real source of most of the problems is a financial one, we now seem to urge the passing of a bill, which, in my opinion, does not constitute a very constructive contribution since it provides for few changes with this exception that it allows for a greater control of the financial system over the economic activities of the country.

It is reasonable to believe that the monetary system of a country should be a public service operated in the public interest. It is inconceivable that one or two private enterprises can control the amount of money in circulation. Under our ill-organized system, the only way to increase the amount of money in circulation is for a bank to make a loan to the government or to an industry by making a simple entry in the credit account of the borrower. But such loans are not in the least based on the country's increased production.

• (9:10 p.m.)

When the government borrows in order to purchase weapons to keep wars going in various countries in which they should not be interested at all, to purchase, for instance, nuclear arms, that does not increase one bit the amount of goods on the market. The only increase is in the means of destruction; however, it brings more money into circulation because of the credit created by lending banks. Every day we see men and young men offer their services to increase the country's production. The amount of money in circulation is not in keeping with production.

In our modern economy, you need more and more money because of the great discrepancy between labour and money, so there is a surplus of production. Fewer people are earning money because of scientific processes and automation increasing production while the number of salaried workers decreases. Money is necessary to ensure the distribution of goods, but the amount in circulation is not proportionate to the amount of goods on the market. Men produce things, and with the help of machines they produce a lot of things. But only a few men, the bankers, are authorized to create money. The money they create is not proportionate to the things men produce. The makers and destroyers of money, the bankers, control governments, sometimes prevent government representatives from speaking up.

Everything is there, except money, to ensure the prosperity of the country, but the government, who ought to promote prosperity, does not do anything about it.

When abundance goes to waste in the face of crying needs, merely for lack of money, the government seems paralyzed and unable to act. Why? The self-same government intervenes to give orders to the taxpayers or the civil servants; but it does not intervene to give orders to those who must produce money and who bring hardship to the whole population by so ill-advisedly performing their duties. There are powerful men who use their power rather strangely and harmfully. Pope Pius XI could well write:

> They hold so close in their hands the life of the economic organism that without their consent no one can breathe.

It is not that there is a lack of difficult things to accomplish, or that the citizens are afraid to fail. We have reached heights in the field of useful production and we can increase production four-fold if needs be. Our forefathers, generation after generation, have always bequeathed to us a greater Canada, better settled, more productive. Farms, yards,

plants of all kinds serve production in such abundance that our businessmen's major problem is finding markets in every continent to dispose of our goods. And all along, brains coming from our institutions of learning continuously create new means of increasing production with less and less labour. Every possible means is used to furnish everything needed to live.

Yet, we are faced with a situation where a sizeable percentage of our families find it very difficult to buy food, clothing, lodging and pay for health care. Our learned politicians, at least those who believe they are learned, are not even able to find the means of distributing the abundance that exists and that could be distributed if all citizens had the privilege of working instead of having to go through unemployment periods as a result of an unbalanced system.

The livelihood of the majority of individuals and families today depends on a salary, and the salary depends on employment. It is obvious that as soon as employment ceases, the salary ceases too. The individuals as well as the families find themselves faced with hardship through no fault of their own. Undeserved misery, according to Pius XI, fearfully hard and cruel economic life.

I think that we do not pay enough attention to the real value of things. If there were only banks in the country, banks everywhere, but no farms; bankers but no labourers or farmers, safes in the bank vaults, but not a single bag of flour or potatoes, not a pound of meat, cheese or butter—nobody could live in this country even with banks, it would be impossible to stay here without any food to eat.

Faith in our country, that is the real credit of a nation, comes from those who contribute one way or the other to the production of goods; from those who work, who teach, who create, who raise families and render services.

The base of credit, which is the real value of money, is the production of the country and those are all the factors who contribute to maintain or increase production.

Those factors are found in organized society, in the means of production but not in the banks.

All members of a society, considering the organization of life in society, enable us to receive from others and to give to others; therefore, the real credit of a country is an eminently social credit.

[Mr. Dionne.]

Besides, it is on that same credit the provinces and nations have been accustomed to sign debentures which they ask bankers to transform into credit money.

Unfortunately, as soon as banks have transformed that credit into credit money, for governments or for industrialists, bankers look upon it as if it were their own. They lend it and keep the debentures, the borrowers' promissory notes as a guarantee, giving them the right to take hold of the very basis of credit, the means of production, should the borrowers not repay the bankers, with profit, the credit the producers have built, but which the banker has only put into circulation.

We feel this is prostituting the credit of this country and turning it into a debt which burdens our economy.

How is it that the government orders through its legislation, to the officials of the income tax, to deduct from the worker's salary this or that amount and that it does not seem to be able to order a few holders of bank charters to create credit in accordance with the actual wealth? How is it that the government of this country continues to yield to the requirements of the financial system; a government supposed to lead, has become the flunkey of private interests.

I think it quite fitting and proper to quote here a part mentioned in the "Quadragesimo Anno" Encyclical by the highest doctrinal authority on earth.

• 9:20 p.m.

Pope Pius XI wrote the following under the subtitle "Free competition followed by economic dictatorship":

> In the first place, then, it is patent that in our days not only is wealth accumulated, but immense power and despotic economic domination is concentrated in the hands of a few, and that those few are frequently not the owners, but only the trustees and directors of invested funds, who administer them at their good pleasure.
>
> This power becomes particularly irresistible when exercised by those who, because they hold and control money, are able also to govern credit and determine its allotment, for that reason supplying so to speak, the life-blood to the entire economic body—

It is interesting, no doubt, to find out that certain demonstrations occur on the anniversary of encyclicals; nevertheless, I think the important thing is to put into practice the recommendations included in them.

If politicians who are well paid out of the people's taxes are satisfied with following the

courses prepared in advance by their masters, the financiers, without taking into account the hardship in this country, without seeking to understand the reasons warranting a change in distribution, they will have to bear the responsibility of their carelessness in the face of abuse of all sorts, and questionable contracts, which give rise to bitterness, envy, and desperate actions.

Some politicians will tell you: but this financial power is international and we could get ourselves into trouble on the national level if we change our financial system.

It is not necessary to wait until the whole wide world is ready to get rid of it. When a whole family is sick, everyone in it does not have to wait to seek a cure until all the others are ready to recover at the same time.

There is no reason why a country set upon reforming its financial system should not do so immediately on its own

Nothing prevents a country which so desires to balance the purchasing power of the people with the domestic production or with imports from other countries in exchange for our surpluses.

And nothing prevents a country from setting up a more adequate system to distribute the wealth by combining the dividends to all its citizens with the salaries of the producers to make up the total purchasing power.

International trade would not be affected in any way, except for the better. In fact, goods and not money go from one country to another. Social Credit does not close or open the door to them.

Under a creditist system, the goods which come in, imports, are considered as incoming wealth. The goods which go out, exports, are outgoing wealth undoubtedly to get something else in return.

Therefore, a creditist system does not tend at all to erect tariff walls against products offered by foreign countries. And that would facilitate trade relations between nations.

Today, we fear that the wealth which comes in may cause hardship to our people, and leave them unemployed, because the present system distributes the purchasing power only to the producing employees. Social Credit does not limit in that way the purchasing power to employment; it bases it on the whole production offered, from wherever it may come. Therefore, Social Credit is not afraid of the leisure time due either to foreign production, or to automated production. Leisure time is a boon; it is free time which one can devote to activities of his own choice. Free activities enrich life much more than subservience to an assembly line, where the worker carries out orders without really knowing for whose benefit or for what purpose.

The only thing a country may lack to establish a sensible economy, is the decision to do so by the government with the power to legislate.

We could give abundant examples of the results of this debt money system, the construction of public buildings, bridges, roads, which have been paid for three times, due to the loan mechanics provided by the present banking system. Costly wars in men and materials which were won and which we had to keep on paying for years later, all this is quite illogical.

An understanding mayor of a city in our province, faced with the perpetual indebtedness system, not long ago, gave a full summary of what had happened on the occasion of an issue of bonds worth $573,500.

The town first had to pay $17,211.60 in brokers' fees, then $2,051.15 for the printing of the bonds to which were added the legal fees. Furthermore, the discount amounted to $17,000. For the first portion of that loan, in the amount of $486,000, we will have to pay, on top of that sum a total amount of $494,157.50 in interest. In 40 years, that financing for which the city received less than $475,000 in real securities, will have cost $980,157.50.

Interests and costs more than double the price of the loan. The city will have to pay interests on the amount of the loan, and not only on the money it receives, but even on the money it does not receive, that is on the brokers' share, the bankers' discount, etc. The same goes for the school board loans.

The Bank of Canada should initiate such a service in view of reducing by a half the costs of the municipal loans. This would be one of the main methods to relieve the taxpayers and help the municipalities and school boards to balance their budgets.

If the Bank of Canada were really a bank for the Canadians, at the municipal, educational, provincial and federal levels, Canadians from all parts of the country would not have to pay $900,000 to get $450,000, on the occasion of a municipal loan.

Surely, the difference does not profit to those who toil toward the development of the country. I believe that the minister of Finance and all the Canadians aware of their responsibilities should try to understand the difficulties which arise from this topsy-turvy system and find a practical solution.

• (9:30 p.m.)

We, the Créditistes, make our own suggestions. If the government or a number of members do not seem in agreement with such suggestions, at least, they could find means reasonably effective to try and tidy up the present chaos.

Mr. Isabelle: After his eloquent address, I would like to put a question to the hon. member. He has just made an extraordinary speech. How is it that after all your statements, *Time* magazine, in 1965, happened to call you "Funny money boys"?

Mr. Dionne: I shall answer the hon. member who has just this question. Personally, I do not need *Time* magazine, "money" here and "money" there, to prove my use of common sense, of logic. There are as many commodities as needed, they come in huge quantities, but there are no means to distribute them.

The politicians, and the one who has just spoken to me, agree that there are many products of all kinds, that this production could be increased and they do not have the brains to find a way to distribute them. It is unfortunate but such things are obvious.

Mr. Latulippe: On a question of privilege. In reply to the hon. member who has read in *Time* magazine about funny money, I would tell him that he is rather a funny monkey to repeat the same thing. I would tell him that he has never known what a monetary system is, I would tell him that he lives in a monkey system, a crazy system and that he is one of the most remarkable—

The Acting Chairman (Mr. Richard): Order. That was not a question of privilege. The hon. member for Chapleau has the floor.

Mr. Laprise: Mr. Chairman, I do not intend to speak at length on Bill No. C-190. I would rather ask the Minister of Finance and Receiver General a question.

I do not intend to repeat everything that has been said. My colleague of the Ralliement Créditiste have set forth the monetary reforms we advocate. The hon. member for Lapointe (Mr. Grégoire) has also submitted to the minister and the committee the principles of Social Credit, and in the past day or two, we have done our utmost to make the minister, the committee and the Canadian people understand the defects of the present monetary system and the solutions we advocate.

The information I am asking him this evening, stems from the main estimates tabled recently by the Minister of National Revenue and President of the Treasury Board (Mr. Benson). I find therein that in 1967-68, the public debt charges will cost us $1,275,906,400. Such are the debt charges we will have to pay in 1967-68.

We have to pay this amount because our debt is in excess of $19 billion, according to the summary report of public accounts for March 31, 1966. It costs us some $1,200 million in interest on that debt.

Then, Mr. Chairman, to explain my point, to have it better understood, I shall use a statement made at the banking and commerce committee, in 1954, by the attorney general of Alberta, Hon. Lucien Maynard. One finds that statement or part of it on page 338 of Minutes of Proceedings and Evidence of the committee for 1954.

I quote:

> Defects of the banking system.
>
> After this sketchy review of the evolution of banking principles and the history of the bank in Canada—

As you can see, Mr. Chairman, this is not the first time that consideration is given to the banking system. Every ten years, the Bank of Canada Act is brought before the house; it is examined and people present briefs to the members of a committee made up of members of the house. The act is reviewed. but, and, this is noticeable, very little is done.

I continue with the quotation.

> ...it is now possible to draw some specific conclusions. One of them, with which I will deal, brings home what, to me, seems to be the main defect or the weak point of the Canadian banking system. I do not mean to imply that it is found only in our banking system. It is an integral part of the banking principles and operations of every country in the world, including the United States, Great Britain, France, etc. However, I shall confine my remarks to the situation in Canada because the committee was asked to examine the Canadian banking legislation and its effects on the economy of the country.
>
> The chief disadvantage or weak point of the Canadian banking system arises from the effect it has of piling on the shoulders of the Canadian citizens a constantly increasing load of debt that can never be paid off.

As I have previously explained, the first charters originally gave the banks the power to issue notes to the extent of three times the cash on hand. You will recall that the banks were required to remit in kind all the notes issued. Some banks succeeded in doing this and they are still operating. Others failed because they were not able to meet this condition. You will find on pages 782 and 783 of the proceedings of this committee a table showing what happened to the 110 chartered banks that have operated or were incorporated since confederation.

Only eleven are still in business.

There are now eight and there will soon be ten, because two new bank charters have been granted.

I will read further:

Profits made by banks are especially the result of interest charged on loans. At the beginning, profits were small, simply because loans were based on the figure of fiduciary circulation, restricted itself to three times the share capital paid in addition to the bank cash deposits. Nowadays however, profits are higher, because banks are free to grant some loans under the form of bank credit up to 20 times the amount of legal tender on deposit. In fact, they seldom exceed the ratio of 10 to 1.

Mr. Chairman, a few years ago, during one of the first federal-provincial conference, that is in 1942, a former Conservative leader, who was then premier of Manitoba, Hon. John Bracken, stated at that conference that the present tax source was unbalanced.

As for the interest which I mentioned earlier, it must be understood that the Canadian workers will pay taxes to provide the necessary money for the interest on the national debt.

And this is what led John Bracken to declare in 1942:

The unbalanced tax system transfers the income of comparatively low-wage earners to those who have comparatively higher incomes. The proceeds of indirect taxes collected by the federal government are mostly used to pay the interest on the national debt—

• (9:40 p.m.)

I would like to ask the minister how he intends to reimburse the present debt of Canada. Only a few days ago, my colleague, the member for Portneuf (Mr. Godin), put on the order paper question No. 2,485, which was answered on March 13, last, as shown on page 13879 of *Hansard*.

How many years will it take the government of Canada to reimburse the debts it has been accumulating since 1867?

Here is the reply given by Minister of Finance:

The government of Canada's outstanding debt represents the cumulative total of all government cash deficits less surpluses since 1867. The deficits have been financed through the sale of cash securities while surpluses have been used to reduce the total of securities outstanding. Changes in debt for any period of time, assuming a constant cash balance, represent the difference between government cash receipts and expenditures of all kinds and are, therefore, the consequence of the government's fiscal operations. Since these fiscal operations have a very important effect upon Canada's economy, fiscal policy must take into account prevailing economic circumstances and the probable consequences of any action taken.

That is only part of the minister's answer. At this point, I would like to ask him who determines what the prevailing economic circumstances are in Canada. And I quote the end of his answer on that occasion:

It is not possible to predict when economic circumstances would make it appropriate for fiscal policy to aim at achieving cash surpluses. It is, therefore, not possible to forecast whether or to what extent the government would consider it appropriate to reduce or eliminate all its outstanding debt.

So, Mr. Chairman, it seems that the minister does not know how and when we will be able to repay this debt which now costs us over $1,200 million per year.

I am very much concerned about the answer given by the minister, Mr. Chairman, and I will put again the question to him. When and how will he manage to pay that debt, so that the Canadian taxpayer, the Canadian worker, will not have to pay that interest which goes directly to those who hold claims on Canada's debt and who are not farmers or workers or settlers, but who are well off and few in numbers.

I hope the minister will come up with a satisfactory answer. If he does not want to accept the Social Credit policy, let him find another one, at least, let him get us out of the economic mess we are in.

Mr. Allard: Mr. Chairman, I should like to make a few brief comments on this very important bill. Tonight, we have heard hon. members speak very seriously of the role of the Bank of Canada and make some most appropriate suggestions to the Minister of Finance and Receiver General.

But, for my part, I should like to remind the minister that thousands of Canadians understand that the financial and monetary

administration of our country is a rather complex thing. However, there are also thousands of Canadians who believe that the Bank of Canada does not play the part it should in the economic, financial and administrative evolution and development of our great country.

For example, if I am not mistaken—I am not an expert in this field—I believe that since its establishment in 1934 the Bank of Canada has been empowered by its constitution to lend money to the Canadian provinces. If I remember correctly—and the hon. Minister of Finance can give us precise information on this subject—the Bank of Canada did lend money to our provinces during two years, from 1934 to 1936 but, according to statistics, it has not lent any money directly to the provincial governments.

In my opinion, this is an anomaly, and it is obvious that this important body, this financial and monetary nerve centre does not answer the needs of the provincial governments. The latter are often forced to borrow on foreign markets at excessive rates.

I remember, for example, a very dynamic and necessary event which occurred in the province of Quebec in 1962, when the government of that time decided to nationalize the electric power of the province, which was produced by several private companies, in order to direct and encourage industrial expansion and the development of the natural resources in the province. It was thought important, in the Quebec of 1962, that the state of Quebec should direct the development of the natural resources and the expansion of the industry in the province by owning and controlling the production of electricity in the province. There was a most dynamic and quite justified measure for developing the province of Quebec. In order to meet this provincial requirement, the Quebec government was forced to borrow on the American market $300 million at excessive interest rates, considering the administration costs and the financial position of the province. In such circumstances as well as in all others where requirements of the various provincial governments in this country are involved, the Bank of Canada, this national institution whose prime object should be to serve the Canadian citizens as well as the governments representing the Canadian people—this backbone of our monetary and financial administration, does not adequately meet the needs of Canadians and of the provincial and other governments in this country.

Mr. Chairman, this suggestion to increase the services provided by the Bank of Canada to the Canadian people, to the provincial as well as the municipal governments and to the school boards, as the hon. member for Trois-Rivières (Mr. Mongrain) has proposed, is most timely. It goes without saying that the Bank of Canada should serve the interest not only of the federal government, but also of the provincial and other governments in this country. It should extend its field of operations. Its constitution of 1934 does not prohibit such an extension and precedents exist to the effect that the bank did make loans from 1934 to 1936.

• (9:50 p.m.)

Obviously, Canada, through this organization that is the Bank of Canada, is even lending money to foreign countries, to foreign banks. I can understand that Canada, in the external affairs field, as well as in international affairs, as far as financial and monetary matters are concerned, cannot live isolated from other countries and other international organizations, such as the International Monetary Fund. Considering certain historic and economic bonds, obviously, the government of Canada has even loaned, in 1964, to the Bank of England a sum of $200 million, I believe, without interest.

This is the service that our Canadian bank renders to foreign countries. But we must not forget that charity begins at home. The first to profit by this intelligent administration by the qualified personnel of this bank and by all the administrative machinery would certainly be the provincial governments and the other governments of this country.

I ask the minister to take into account the claims of many Canadians. I think that a body like the Bank of Canada would have to play a better, more obvious, and very useful role. And this would be an opportunity, among many others, to cement a kind of national unity, not in the realm of feelings, but in the field of the dollar which is very interesting for everybody, for all Canadians, whatever their ethnical origin.

For instance, if British Columbia, Ontario, the Maritimes, Newfoundland and the province of Quebec were to go to the Bank of Canada, managed by the federal government, to borrow the money they need to develop

their provinces and natural resources without always having to go abroad, I am sure they would be very pleased. That would help to draw the various governments closer to one another.

There is a suggestion which is not new. Let us hope to get results along this line.

Mr. Chairman, I want to conclude my brief remarks by also asking the minister and I appeal to him to make these representations to the cabinet, where appointments are concerned to recommend to the board of directors, to the governor of the Bank of Canada, to appoint more French Canadians at the top management of this bank.

I do not know what is the present composition but I suppose it is not so much different from the figures provided in 1960, to the then prime minister, by the Conseil de vie française. These figures are reported at page 18 of a booklet I wrote in 1963 and which is entitled: "The Last Chance". Here is what it says:

> At the Bank of Canada, out of a total of 12 high officials, only one was a French Canadian.

I am sure that the minister is convinced that there are now many competent French Canadians in business, in monetary and administrative matters. Some French Canadians have proved themselves in the field of management and hold high administrative posts in the most important chartered banks in the country. We even have French Canadians who have spent sometime with chartered banks outside Canada, who have acquired the best experience at the administrative, financial and monetary levels.

Again that would be an opportunity to strengthen national understanding and unity.

In this centennial year, should there be any vacancies within a few weeks or months, some French Canadians could be added to the high officials of the Bank of Canada. It is not only a sociological matter, Mr. Chairman.

If a French Canadian was appointed to a high post it would enable those who direct the monetary and even financial policy of this country to understand better the aspirations of the province of Quebec which are not revolutionary but evolutionary. Quebec wants to play its role in Canada; it wants its fair share in every field. In the financial field, in the borrowing field, in the Bank of Canada, in the monetary field, Quebec wants to make a contribution. It would like to make suggestions, and French Canadians would even like to be consulted.

As the hon. member for Mount Royal (Mr. Trudeau) pointed out quite recently, French Canadians must think of asserting themselves competitively in our country, but before we can do so, we must be provided with opportunities to participate in a fair competition. In many fields, especially with regard to higher positions in the Bank of Canada, French Canadians have not been allowed to compete, as pointed out recently by the hon. member for Mount Royal before the members of the Canadian Club in Montreal.

If we are to compete, some of our compatriots must be appointed and there are many of them. The minister knows who they are, as well as the hon. member for Mount Royal and other government members. Let us be allowed to make our contribution and the Bank of Canada will be none the worse for it. On the contrary it will be in a position to better direct the Canadian monetary, financial and economic policy, taking into account the characteristics of the Canadian mosaic.

Mr. Grégoire: Mr. Chairman, I do not wish to speak at great length, as I do not want to delay the passing of this bill tonight. If the government wishes to continue a few minutes after ten o'clock in order to pass this bill, we will not object. We want to show that our part in this discussion is not obstruction, but we participate therein so as to express our point of view.

If the minister wants to have this bill passed tonight, we would have no objection to sitting for ten or fifteen minutes after ten o'clock. We believe that the whole bill could be passed by that time.

Mr. Chairman, I would simply like to summarize our position in the course of the debate that took place yesterday and today as regards the amendments to the Bank of Canada Act.

We regret that the government did not see fit to consider, analyse and take into account the suggestions we made in order to bring a few improvements to the Bank of Canada Act.

Our suggestions, the improvements we are suggesting pertain to two areas. First, we have expressed the wish that the Bank of Canada should create credit, instead of the chartered banks. We feel that money is credit. This is the most important factor, the factor which is most essential to the economic development of a country. We do not think that

the creation of credit and money should be left in the hands of the chartered banks which are private enterprises and which have this exclusive privilege and who use this creation of credit for their own purposes. Now, the chartered banks create credit, as the minister himself admitted it.

• (10:00 p.m.)

We do not want this creation of credit left to some large chartered banks who would use it not for the benefit of the population as a whole, but for their own interest, for their own benefit.

At the same time, if this creation of credit were put under the control or in the hands of the Bank of Canada, this crown agency would not act in its own interest or for the benefit of some big capitalists; to the contrary, it would act in the public interest and for the benefit of every Canadian. This is the fundamental difference.

A state bank like the Bank of Canada should control and regulate itself the creation of credit in favour of the population of Canada, whereas actually the private banks, that is the chartered banks do so to their own benefit and in their own interest whenever they can.

We are against this, because creation of credit is probably and certainly the most important factor of our economic life.

Second, we have asked the government and the minister which criteria the Bank of Canada and the government itself use to determine the money supply. It is useless to say that we were not satisfied with the replies given, since everything is run in a haphazard way, without any directives and there is nothing really scientific which would serve to determine the money supply which is needed.

To us, this is very important because upon the amount of money supply will depend the economical expansion of the country, the buoyancy of the country as well as the prosperity of every Canadian.

Mr. Chairman, it is unfortunate that the minister and his government chose not to take into consideration those two determining factors in our growing Canadian economy. It is regrettable. We believe the Minister of Finance should have taken those suggestions into serious consideration, because the objective here is to enable every Canadian citizen to live decently, honourably, with dignity and liberty and to enjoy security in a country fabulously wealthy, capable of ensuring that each and every one living here can live decently and honourably.

If the minister is bent on holding up our system to ridicule, well, let him find another one under which can be achieved the objectives for which any economic system is established, that is to ensure that all Canadian citizens can live decently, honourably and with dignity. That is what we expect from our Canadian economy. We have had one opportunity since yesterday—for the first time in 12 years to express those ideas to the government. It chose to ignore them, not to act on them. We are sorry about that. Now, it will be up to the Canadian people, to the people of Quebec to pass judgment on the attitude of the minister, on the policy of the government in that field. The people will continue to ask: what is the use of having a prosperous country if that prosperity is not reflected in fact in the lives of its citizens? What is the use of having such bounteous natural resources in Canada, if Canadian citizens can not share them and benefit from them? That is what we would like to achieve through our suggestions to the Minister of Finance.

We regret that these suggestions have not been heard. We shall let the people judge and they will be capable of deciding whether it is normal, logical and reasonable to live poorly in such a rich and prosperous country. What would bring this prosperity in our Canadian homes would be an adequate economic and monetary system. But there are some who do not want our monetary system to be adequate. They tell the Canadian people: keep on bearing it and living in misery in the midst of plenty.

It is now for the Canadian people to judge the minister and the present government.

[*English*]

Clause agreed to.

Clauses 2 to 10 inclusive agreed to.

On clause 11—*Fiscal agent of Canadian government.*

[*Translation*]

Mr. Latulippe: Mr. Chairman, I point out that it is ten o'clock. We have an amendment to move on clause 11. We will have the opportunity of moving it tomorrow and discussing this section.

Mr. Grégoire: Mr. Chairman, I have a suggestion to make to the hon. member for Compton-Frontenac, in order to prove to the government that what we have said has not been done in order to create obstruction. If the hon. member for Compton-Frontenac has an amendment to move on section 11, and to that section only, he might agree to have the other sections on which there is no amendment passed, and tomorrow, we could come back to section 11?

[*English*]

The Chairman: Is it agreed that clause 11 shall stand?

Some hon. Members: Agreed.

Clause stands.

Clauses 12 to 20 inclusive agreed to.

The Chairman: Shall clause 11 carry?

[*Translation*]

Mr. Latulippe: Mr. Chairman, I also have an amendment to move to the preamble of the bill, because the preamble of the bill was removed in 1954. In my opinion, a bill of this sort should have a preamble to explain the general meaning of the bill.

Therefore I should like to move an amendment to the preamble of the bill.

[*English*]

The Chairman: It being ten o'clock, shall I rise and report progress?

Progress reported.

BUSINESS OF THE HOUSE

Mr. Rapp: Mr. Speaker, what will the business be for tomorrow?

Mr. Pennell: It is proposed to continue with item No. 63, the Bank of Canada Act amendments, to be followed by item No. 74, the Bank Act, and item No. 75, the Quebec Savings Banks Act.

PROCEEDINGS ON ADJOURNMENT MOTION

A motion to adjourn the house under provisional standing order 39A deemed to have been moved.

23033—886

• (10:10 p.m.)

[*Translation*]

TRANSPORT—TROIS-RIVIÈRES—PROTESTS RESPECTING INCREASE IN RAILWAY TOLLS

Mr. J.-A. Mongrain (Trois-Rivières): Mr. Speaker, this afternoon, I asked the Minister of Transport (Mr. Pickersgill) if he had received a telegram from the operators of our grain elevators and from the municipal council of Trois-Rivières objecting to the increase in fees on the St. Lawrence seaway and the Welland canal.

The minister said he had received no telegram. I understood why, a few minutes later, because while questions were being asked here, which, to my mind, were not important, I took time off to go through the papers and I realized that the minister had just stated that there would be no increase.

So I immediately called those people, my municipal council and the directors to tell them: If the telegram has not gone, do not bother sending it because it seems that the problem is settled. I have here the telegram, the original telegram reporting that the municipal council of Trois-Rivières strongly objected to the increase in fees on the seaway as likely to be detrimental to the economy of the whole Trois-Rivières area.

But I would nevertheless like to take this opportunity—and I thank the minister for his intervention to prevent such an increase in fee—with your consent, since I realize I am stretching the rules, if ever so slightly, to remind the minister that the grain elevators of Trois-Rivières are faced with a difficult problem which I would not want to explain all over again since I have already spoken of it. I should simply like to ask the minister whether he could not unofficially and for the good of the economy of the whole area served by the grain elevators to ask the responsible officials of the National Harbours Board to call, again to discuss the matter, an informal meeting with the mayor of Trois-Rivières, the representative of the grain elevators, the federal member for Trois-Rivières and the provincial member for Trois-Rivières, because there is a question of taxes, as the minister is aware, that concerns the provincial area.

I believe that if we could gather around a table these people whom I call men of good will, to talk together, we might find a compromise to a difficult problem which endangers the very existence of our grain elevators, something which would seriously affect the

area. We are also suffering from the effects of progress. You know that my hon. friend from Lapointe (Mr. Grégoire) claims that winter navigation does not operate well. I will state, tonight, that it is operating too well and the ships go right up to Montreal and do not stop at Trois-Rivières. We are therefore victims of progress, and as a matter of fact, for the first time this year, we have almost no ships.

I understand there are other considerations, and that longshoremen are not too anxious about it, but the fact still remains that our harbour facilities and particularly our grain elevators are mortgaged. I would therefore ask the minister if he would first take the initiative of calling this informal, and I mean informal, meeting of all these people of goodwill.

And here I will perhaps encroach more seriously upon the rules of procedure, to remind the minister that he once promised to help me to appeal to the Canadian Pacific to restore the night train between Montreal and Quebec for Expo '67.

I must say to the minister that in spite of the official resolutions of at least 20 or 25 municipalities, in spite of the support of a large number of members of his party, of the opposition and representatives of the provincial governments—the legislature is passing this week a bill in that connection—the authorities of the Canadian Pacific are objecting to that project and deny us that night train when the last train is at 7.30 p.m. It is being claimed we do not have the necessary facilities, whereas we know that the cars are loaned to the Canadian National, which has two more trains on the south shore, a fact that does not help the north shore.

We know that the city of Montreal will not be able to accommodate all visitors to Expo '67. We know that millions of persons between Montreal and Quebec will want to visit Expo '67, will wish to spend the night there and not be obliged to come back at 7:30 in the evening, but rather at midnight as was done in former days when we used to have a train at that hour. We know it is not true that such a service is an uneconomic one, since we have made economic studies on this matter.

Therefore, I remind the hon. minister of the promise he made to me that he would willingly support our claims to the president of the Canadian Pacific. I say to him that in a few days, the mayors of the municipalities concerned, along with some members of this house and the member of the provincial legislature will call upon the authorities of the Canadian Pacific in order to prove to them by means of figures and arguments, that they have no right to refuse this essential service to the people, that they have no right to say that it is uneconomic. Besides, we will show them that it is economic.

I know how obliging the minister was. I also know how concerned he is with the whole north shore economy which is in serious jeopardy because of this lack of Canadian Pacific service. I will tell the minister that the service offered by the Canadian National is infinitely better than that of the Canadian Pacific on that section of the province of Quebec I am referring to, except that there is no railroad along the north shore of the St. Lawrence that could serve the more important industrial towns.

Then, I shall recapitulate and express thanks to the minister whose intervention prevented increased rates on the seaway. I beg him to kindly exert his authority with the National Harbours Board to call a meeting of men of good will to settle the problem of grain elevators in Trois-Rivières. And I request him to support with his full authority, which is certainly considerable, since he is the man who decides to grant those fantastic privileges requested by the railway companies, that team comprising mayors, members of his own party, members of opposition parties and members of the provincial legislature who want, for the duration of Expo '67, a night service between Montreal and Quebec.

[*English*]

Hon. J. W. Pickersgill (Minister of Transport): Mr. Speaker, the hon. member for Trois-Rivières (Mr. Mongrain) is very persuasive—obviously more persuasive than I am, because so far my attempt to mediate with the Canadian Pacific does not seem to have produced results. However, I shall have another try.

With respect to the other suggestion, that I seek to arrange an informal meeting or get the harbours board to arrange an informal meeting to discuss this question of the tax problem in relation to the elevator at Trois-Rivières, I will be glad to pass the suggestion on to the harbours board. Perhaps I will be able to be a little more persuasive in that case than I have so far been able to be in the case of the night train to Quebec on the Canadian Pacific.

DOMINION-PROVINCIAL RELATIONS—BRITISH COLUMBIA—PROPOSED ESTABLISHMENT OF HARBOUR COMMISSION

Mr. Frank Howard (Skeena): Mr. Speaker, for some considerable period of time, certainly before my entry into federal politics, we have had a great deal of trouble in the northern coastal part of British Columbia in getting adequate consideration from the government for harbour development. My predecessor, the late Mr. Applewhaite, who was respected in this house and at home as well, has told me in discussions I had with him during the time I was a member of the provincial legislature that this matter arose on a number of occasions, but not a great deal of satisfaction was received.

We have now perhaps four general communities in the northern part of British Columbia that lend themselves to proper harbour development, that is the type of harbour development for shipping purposes. I refer to Stewart, Kitimat, Prince Rupert and Bella Coola, all of which have access or will have access to the interior part of the province and would lend themselves to provincial harbour development.

Even in so far as Stewart is concerned, a few years ago we saw the federal government refuse to proceed further with the agreement with the province of British Columbia to build a road under the roads to resources program which would connect Stewart with the northern hinterland of the province, and the Yukon Territory. If the road had been provided, under a joint program, it would have put Stewart in the business of being a deep sea port. Just the day before yesterday, I believe it was, a bill was introduced in the British Columbia legislature to establish a provincial harbours board. This act would be called the provincial harbours board act.

The purpose of the harbours board, as I learned from a telephone call, would be to develop and to encourage the development of harbour facilities in the province, to provide access to and from such harbour facilities and to assist and promote industrial development of the province in conjunction with harbour development. In the last few years, Mr. Speaker, we have perhaps gone into the area of federal-provincial co-operation to an extent far in excess of that which existed before. We have had federal-provincial conferences on a variety of subjects, not only fiscal matters such as used to take place but matters such as fisheries, Indian affairs, and heaven knows what else.

We are in an era of federal-provincial conferences and the atmosphere has been right for some three or four years now for provincial governments to gain access to the ear of the federal government and to work out agreeable arrangements with regard to a variety of problems confronting the different sections of the nation. I submit that here is another opportunity for the federal government to take advantage of the spirit of co-operation that exists between federal and provincial governments, because the federal government is involved in the development of harbours and has been for some time. Here is an opportunity for co-operation to the fullest extent possible so that, with respect to the coast of British Columbia, we may get an orderly, planned harbour development program under way that will give the coast of British Columbia an opportunity to develop its full potential in so far as export shipping is concerned. It would provide access to the deep sea ports for the commodities not only of British Columbia but of the prairie provinces as well, to a far greater extent than exists at the moment.

• (10:20 p.m.)

I hope that co-operation will take place and that we will see this unified approach of the federal and provincial governments to the matter of harbour development, now that the provincial government has expressed its desire to get into this field by the introduction of a bill—of which, of course, I do not have full details at the moment—which sets out the concept of harbour development. Naturally I have a prior interest in the northern half of the province, because that is the area that has been neglected.

I was rather taken aback by the eruption of the minister today resulting from the question that I finally got through to him via Mr. Speaker's hands. I got the impression that he might be rather opposed to the idea of British Columbia engaging in this sort of thing, because of the constitutional requirements. I sincerely hope that he is not opposed to the idea but will work in a co-operative vein. I hope he will not be too rankled by the invective or, as the minister put it, the allegations of the attorney general of the province who, as we all know, like the Minister of Transport when making speeches is oft times not able to control his verbosity in explaining matters. I am sure that the Minister of Transport will give due credit to the remarks of the attorney general.

So, Mr. Speaker, in this regard I say, please do not take steps, as is permissible under the British North America Act, to disallow the legislation and to engage in a full scale war with British Columbia—because after all on this question, Mr. Minister, we are correct.

Hon. J. W. Pickersgill (Minister of Transport): Mr. Speaker, I thank the hon. member for his lesson in etiquette, which comes exceptionally well from him. There is nothing I would welcome more than the co-operation of the government of British Columbia or the government of any other maritime province in the development of our harbours.

When on November 10 last I announced in Vancouver that the boundaries of Vancouver harbour under the jurisdiction of the harbours board would be extended south from the present limits of Vancouver harbour to the international boundary, I had informed the premier of British Columbia before I made the announcement, as a matter of courtesy. He asked me whether we would co-operate with any plans the province had, and I said that as long as they were in the national interest we would be very glad to do so. I gave him that assurance and said that I hoped that the co-operation would be reciprocal.

I also said, Mr. Speaker, that the government intended at once to initiate long term planning for the development of the facilities that would be required for shipping through the lower mainland, when the capacity of Burrard Inlet and the Fraser River ceased to be adequate to meet traffic needs. I pointed out that there was still considerable room for expansion both in Burrard Inlet and in the Fraser River, but that long term planning should not be delayed.

I also pointed out that the harbours board already had under way economic studies designed to forecast the nature and volume of water-borne shipments up to 1976, and trends to 1986. In addition to the economic studies I said that engineering surveys would also be required. Only last week, Mr. Speaker, the government authorized the National Harbours Board to engage the engineering firm of Swan Wooster to work out plans for future port development between Point Grey and the international boundary, taking into account all types of cargo which can be forecast and taking into account as well the existing and future planned development within Burrard Inlet. This study is to include feasibility, economics, engineering and chronology and is to take into account the full findings of the three studies that have been undertaken in the economic field. Swan Wooster were advised yesterday morning that the study had been approved and should be proceeded with at once.

All this planning is, of course, in addition to the very large developments that are taking place in the existing port of Vancouver, which is still a long way from being used to full capacity. The lower mainland harbour facilities are alredy handling most of the overseas export traffic of one third of Canada. These harbour facilities are a vital national asset which must and will be developed in the interest of Canada as a whole by the national government, which has the exclusive constitutional responsibility.

Needless to say we will welcome—and I underline this—the co-operation of the provincial and local authorities as well as that of private interests; but co-operation obviously involves consultation and not unilateral action without advance notice by a government which does not have the constitutional responsibility.

With respect to northern British Columbia I think, with the hon. gentleman, that we shall have to make much more use of Prince Rupert, Kitimat, and probably of Bella Coola and Stewart as time goes on. I think it is in Prince Rupert and Kitimat that we should envisage the earliest development. It is clear with its greater proximity to the Orient that the advantages recognized in Prince Rupert when the National Transcontinental and the Grand Trunk Pacific railways were built at the beginning of the century, will be realized long before the end of the century. This involves a national obligation which will be discharged by the national government in the interests of the nation. In doing so we shall welcome all the co-operation we can get from the local authorities and from the provincial authorities. We shall welcome the co-operation of all whose interests are concerned.

Motion agreed to and the house adjourned at 10.30 p.m.

HOUSE OF COMMONS

Wednesday, March 15, 1967

The house met at 2.30 p.m.

PRIVILEGE

RULING BY MR. SPEAKER ON PROPOSED MOTION BY MEMBER FOR EDMONTON WEST

Mr. Speaker: Yesterday the hon. member for Edmonton West raised as a question of privilege what he termed a gross irregularity in the presentation of National Defence spending estimates for the coming fiscal year. He argued that the form of these estimates is in violation of the National Defence Act and the Financial Administration Act. The hon. member gave notice of a motion to have the book of estimates withdrawn and revised by the government.

Arguments were advanced by the right hon. Leader of the Opposition and by other hon. members in support of the claim that the estimates as presented are irregular in form and illegal, and that they affect parliamentary privileges.

The minister in reply argued that his departmental estimates were submitted on the basis of the approved integrated commands of the armed services. The hon. members for Medicine Hat and Greenwood also argued that there was no valid objection at this point to the form of these estimates and, therefore, no question of privilege.

Essentially the question submitted to the Chair is whether the proposed estimates of the Department of National Defence are presented in such a form as to be contrary to existing law. Some hon. members claim that the presentation is irregular, others argue that it is legal. The point is of course of great interest to parliament, and the concern expressed in the form of the proposed motion may be quite justified. What the Chair has to determine is whether the debate should come before the house at this time, in priority to other business, by way of a question of privilege. Certainly it is not for the Chair to decide whether these estimates are presented in a form that is contrary to the existing law. According to the usages of parliament the Speaker does not rule on a question of law.

In my view the proposition advanced by the hon. member for Edmonton West does not meet the requirements of a prima facie question of privilege. It is really an argument, no doubt serious, that can be brought forward by way of objection to the adoption of these estimates. It is undoubtedly a relevant point of debate when a supply motion is before the house for consideration. But in my humble opinion it is not a question of privilege, and therefore I cannot accept the motion proposed by the hon. member for Edmonton West.

COMMITTEES OF THE HOUSE

Second report of special joint committee on the national and royal anthems—Mr. Ryan.

Ninth report of standing committee on justice and legal affairs—Mr. Cameron (High Park).

[*Note: Text of the foregoing reports appear in today's Votes and Proceedings.*]

WATER RESOURCES

TABLING OF REPORT OF ENGINEERING BOARD ON OTTAWA RIVER

Hon. Jean-Luc Pepin (Minister of Energy, Mines and Resources): Mr. Speaker, I wish to table two copies in English and in French of the report of the Ottawa river engineering board, entitled "Report on hydrology and regulation of the Ottawa river".

This board was appointed in 1962 by the governments of Canada, Ontario and Quebec to investigate the hydrology of the Ottawa river basin and the existing regulation of its waters. It was to establish procedures which would make available accurate and timely hydrologic data and to determine whether improvements in regulation were possible.

The board investigated the existing regulation on the basis of monthly mean flow data and found that this has been generally satisfactory and has been efficient in the production of power. The board considers that the co-operative arrangement which has been in effect among users constitutes a satisfactory method for determining regulated flows.

The board recommends that a committee of pertinent agencies be established to advise

on the needed expansion of hydrological and meteorological networks and to continue studies of forecasting procedures.

Mr. Speaker: Does the minister have leave to table this report?

Some hon. Members: Agreed.

Hon. E. D. Fulton (Kamloops): Mr. Speaker, not having been favoured with a copy of the report or a preliminary copy of the minister's statement, it is difficult at this point to comment in any detail upon what has been said or the implications of what may be recommended in that document. I should like, however, to express the very real hope that as a result of the report and the consideration to be given to it by the government effective steps will be instituted without further delay to clean up the Ottawa river. It is surely a reflection of the neglect by government of this situation that while we have had a civilization here for perhaps three centuries, the Ottawa river is generally regarded by experts in the field as reflecting a more acute state of pollution than even the Rhine river in Europe, which has served industry and population for scores of centuries. This surely poses a challenge to the government of Canada and the Canadian people to clean up this river and set an example in effective and co-operative measures to restore our waters to a state in which they can again be a credit and a service to our people.

The thing that concerns me and which I particularly urge upon the government and the minister is that they should no longer hesitate to give the lead and take the initiative in this regard. It is true that it is an area in which the jurisdiction of province is involved, but we will achieve no solution, no action, no remedies unless this national problem finds on the part of the national government a readiness to advocate solutions, to take the initiative and institute measures to correct it. In this way the national problem could find a national solution. I hope the government will not hesitate any longer to take the leadership in this matter, call the provinces into consultation and with them work out co-operative measures for the cleaning up of the Ottawa river, which might then serve as a wholesome example of a solution of this nation-wide problem in the immediate future.

[Mr. Pepin.]

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

LAND EXPROPRIATIONS FOR QUEBEC HIGHWAYS

Question No. 2,001—**Mr. Isabelle:**

1. How much money will the National Capital Commission provide for land expropriations needed for the construction of highway No. 8 in the province of Quebec?

2. Have these expropriations been started and, if so, when will construction begin on the link between the approaches to the MacDonald-Cartier bridge and the new highway No. 8 which will follow Brewery creek?

Hon. G. J. McIlraith (Minister of Public Works): 1. Extensive discussions have been held with the government of the province, and it is anticipated that an agreement will be signed. It has been estimated that the land to be used for this purpose would cost the National Capital Commission approximately $17 million, including federal crown land.

2. No expropriations have been started for this project by the National Capital Commission.

STUDY OF FEDERAL DISTRICT

Question No. 2,215—**Mr. Isabelle:**

1. Has the federal government ever conducted a study on the establishment of a federal district?

2. Is a study now being conducted on this matter?

3. If so, in what year and by whom was such a study prepared and, if not, is the federal government planning to have a study conducted on the establishment of a national district including the cities of Ottawa and Hull and neighbouring towns?

Hon. G. J. McIlraith (Minister of Public Works): 1. Not in recent years.

2. No.

3. No.

HOLIDAY BENEFITS, C.B.C. CAMERAMEN

Question No. 2,328—**Mr. Howard:**

Does each employee of the Canadian Broadcasting Corporation with the classification of "film cameraman" receive the benefits of Part IV, General Holidays, of the Canada Labour (Standards) Code and, if not, what is (a) the name of each such employee (b) the name of the community within which he works (c) the reason for not providing him with the said benefits?

Hon. Judy V. LaMarsh (Secretary of State): I am informed by the Canadian Broadcasting Corporation as follows: All film cameramen have been given the actual holidays or time

off in lieu of the holidays at all locations except Toronto and Halifax. At both these locations, the practice has been to grant the holidays where assignment of the employee has not been required, and where assignment was necessary no additional time credit was allowed. However, these two locations have been informed that, retroactive to July 1, 1965, time credits are to be given to all film cameramen who have not received credit for general holidays in accordance with the labour code.

PENSIONS OF RETIRED C.N.R. EMPLOYEES

Question No. 2,427—**Mr. Knowles:**

1. How many retired employees of the Canadian National Railways are in receipt of pensions of less than $25 per month?

2. How many are in receipt of a pension of $25 per month?

3. How many are in receipt of pensions of (a) $25.01 to $29.99 per month (b) $30 to $39.99 per month (c) $40 to $49.99 per month (d) $50 to $59.99 per month (e) $60 to $69.99 per month (f) $70 to $79.99 per month (g) $80 to $89.99 per month (h) $90 to $99.99 per month (i) $100 to $124.99 per month (j) $125 to $149.99 per month (k) $150 to $199.99 per month (l) $200 per month and over?

Mr. J. A. Byrne (Parliamentary Secretary to Minister of Transport): The management of Canadian National Railways advises as following:

1. 388.

2. 2,245.

3. Amount of pension:	Number:
$ 25.01 to $ 29.99	683
30.00 to 39.99	1,392
40.00 to 49.99	1,126
50.00 to 59.99	933
60.00 to 69.99	823
70.00 to 79.99	884
80.00 to 89.99	908
90.00 to 99.99	936
100.00 to 124.99	2,487
125.00 to 149.99	2,286
150.00 to 199.99	3,579
200.00 and over	5,602

In a number of cases the amounts of pensions paid by Canadian National Railways do not represent the total pensions payable to employees for railway service. Pensions payable by the C.N.R. to international employees (service in both Canada and the United States) relate to their service in Canada only. Such employees also receive annuities payable under the United States railroad retirement act or the social service act for service performed in the United States. For example, in the group receiving pensions of under $25 from the C.N.R., there are 66 former international employees who also receive U.S. railroad retirement or social security annuities in respect of C.N.R. service rendered in the United States. The balance of this group consists of employees who elected early retirement before age 65, with reduced basic ($25) pensions, and employees who had very short service and small contributions.

DIRECTOR OF INDIAN AFFAIRS BRANCH

Question No. 2,430—**Mr. Orlikow:**

1. Who is the Director of the Indian affairs branch of the Department of Indian Affairs and Northern Development?

2. How long has he held the position?

3. What are his academic qualifications?

4. What is his previous experience in working with Indians either in the department or elsewhere?

5. What are his duties and responsibilities and to whom does he report?

Hon. Arthur Laing (Minister of Indian Affairs and Northern Development): 1. Mr. John Wilfred Churchman acts as director.

2. Since September 1, 1966.

3. (a) Grade XII, province of Saskatchewan, teacher's certificate; (b) Six courses completed, University of Saskatchewan; (c) Management training course, University of Western Ontario.

4. (1) Grew up next door to two reserves and had close associations with the Indian people, including participation in games such as soccer and baseball. (2) As a school teacher, taught Indian and Métis people in northern Saskatchewan, as well as a class in basic English and mathematics for adults. (3) As assistant deputy minister of the Saskatchewan natural resources department for four years, stationed at Prince Albert, was responsible for the administration of government programs in the northern areas where some 70 per cent of the population was of Indian origin. (4) As deputy minister of same department for 12 years was responsible for the development and administration of programs affecting the lives of Indian and Métis people of the province. This included direct participation in devising policy and drafting legislation such as the amendments to the northern administration act which, (a) introduced a program of financial assistance to all residents of the area to establish industrial and business

enterprises; (b) introduced an assistance program in housing; and (c) provided a measure of municipal autonomy to northern communities previously unorganized. (5) Was directly involved in the drafting and in the later negotiation with C.M.H.C. of the pilot project in housing to provide off-reserve housing for Indians and Métis in Saskatchewan. (6) Over past 30 years has visited many Indian and Métis communities. Has attended meetings and held discussions with many groups and individuals. (7) In 1950 introduced an action research study by anthropologist V. Valentine in a northern community which led to new programs and the introduction of the community development process among staff residents of northern Saskatchewan. (8) Personally attended seminars and discussion groups conducted by the center for community studies at the University of Saskatchewan for provincial government staff, Indian affairs staff and northern residents including a large number of Indian and Métis people. (9) Assisted in drafting the organization, structure and terms of reference for the Indian Métis branch established in Saskatchewan in 1964, which Premier Thatcher assigned to Mr. Churchman for administration. (10) Served on interdepartmental committee on people of Indian ancestry in Saskatchewan. (11) Chairman of the federal-provincial fur advisory committee in Saskatchewan for 12 years, charged with the administration of the joint fur program for Indian and non-Indian trappers in northern Saskatchewan. (12) Served as chairman of the federal-provincial committee on Indian and Métis friendship centres in Saskatchewan. (13) Chairman of the federal-provincial co-ordinating committee on people of Indian ancestry, Saskatchewan. (14) Chairman of interdepartmental committee on job opportunities and training for people of Indian ancestry, Saskatchewan. (15) director of development, Indian affairs branch; from June 1, 1965 to August 31, 1966.

5. Mr. Churchman is responsible for the administration of the Indian affairs branch. He reports to the assistant deputy minister, Indian affairs.

CHIEF OF SOCIAL PROGRAMS DIVISION, INDIAN AFFAIRS

Question No. 2,481—**Mr. Orlikow:**

1. Who is the chief of the social programs division of the development directorate of the Department of Indian Affairs and Northern Development?

2. How long has he held the position?

3. What are his academic qualifications?

[Mr. Laing.]

4. What is his previous experience in working with Indians either in the department or elsewhere?

5. What are his duties and responsibilities and to whom does he report?

Hon. Arthur Laing (Minister of Indian Affairs and Northern Development): 1. Mr. Arnold William Fraser.

2. Since April 27, 1966.

3. Academic qualifications, (a) St. Patrick's College, Ottawa, B.A.; (b) McGill University, M.A.; (c) University of Toronto, requirements completed toward D. Ed. degree except for thesis; (d) Ottawa Normal School, teacher's first class certificate.

4. Mr. Fraser was community secretary of the Y.M.C.A. in Ottawa from 1938 until 1949, being responsible for community work. From 1949 to 1953 he was director of the High Park community Y.M.C.A. in Toronto where he collaborated in the publication of numerous pamphlets, documents and booklets on community organization and community approach. From 1953 to 1965 Mr. Fraser held the position of secretary for program and leadership of the World Alliance of Y.M.C.A.'s with headquarters in Geneva, Switzerland. During this time he had the responsibility for the development programs of youth and leadership in underdeveloped countries in Africa, Asia and South America. He was also a member of the executive of the standing committee of non-governmental organizations having consultative status with UNESCO.

Mr. Fraser travelled extensively to all continents. He visited over 80 countries where he had meetings and contacts with indigenous peoples. For example, he worked with the South American federation of Y.M.C.A. on the development of programs for Indians on that continent and consulted with the Mexican Y.M.C.A. along the same lines.

Mr. Fraser joined the Indian affairs branch in 1965 and while occupying headquarters position over a period of one year, he held numerous meetings and discussions with individual Indians, band councils, Indian associations and regional Indian advisory councils. He also conducted field trips to various Indian reserves throughout Canada.

5. His duties and responsibilities are: to plan, develop and direct policies and procedures with respect to Indian welfare programs, community development operations and cultural affairs; to review the expenditure of funds related to the division's program; to analyse and evaluate the operations of the division in a national context; to negotiate and maintain liaison with senior officials in

public and private agencies on matters related to welfare and community development programs; to liaise and consult generally with senior officers of the branch on the division's program as it affects the operations of other sectors of Indian affairs operations. Mr. Fraser reports to the director of development.

CUSTOMS PORT, WEST POPLAR, SASK.

Question No. 2,547—**Mr. Watson (Assiniboia):**

1. What hours is the port of entry open at West Poplar, Saskatchewan?

2. How many are on staff at West Poplar, Saskatchewan?

3. How many foreign vehicles entered this port in each month in the years 1965 and 1966?

4. How many Canadian vehicles entered this port in each month in the years 1965 and 1966?

5. How many dollars did the Canadian customs collect at this port in each of the years 1965 and 1966?

6. How many cattle were exported through this port in each of the last five years?

Hon. E. J. Benson (Minister of National Revenue and President of the Treasury Board): There is no port of entry officially known as West Poplar, Saskatchewan, and the following answers therefore refer to West Poplar river which is the designation of an outport under the port of Moose Jaw, Saskatchewan.

1. Sept. 16 to May 31, 9 a.m. to 6 p.m. June 1 to Sept. 16, 8 a.m. to 9 p.m.

2. Two.

3.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1965	39	20	33	64	155	273	444	374	212	245	95	136
1966	49	67	109	117	223	361	601	293	350	248	147	17

4.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1965	96	86	150	127	227	276	571	383	289	237	180	121
1966	136	111	183	204	267	270	709	460	501	266	185	60

5. 1965, $13,941.11; 1966, $2,547.05.

6. Records respecting exportation of cattle are available for only the past three complete fiscal years and the current year: 1963-64, 99; 1964-65, 102; 1965-66, 573; 1966-67, 370 (to Dec. 31, 1966).

ORDER IN COUNCIL RESPECTING NAME OF COMMUNIST PARTY

Question No. 2,587—**Mr. Langlois (Mégantic):**

1. Has there ever been an order in council to prohibit in Canada the use of the name "communist party" or any other order in council relating to this subject?

2. If so, (a) when was this or these order or orders in council passed (b) were any specific reasons given for the passing of such order or orders in council at the time they were passed and, if so, what were these reasons?

Hon. John R. Matheson (Parliamentary Secretary to Prime Minister): 1. Yes.

2. (a) Order in council P.C. 2363 of June 4, 1940, amending the defence of Canada regulations made pursuant to the War Measures Act and continued in force pursuant to the National Emergency Transitional Powers Act, 1945, which regulations were revoked by order in council P.C. 1166 of March 31, 1947, effective April 1, 1947. (b) There were within Canada numerous organizations of a subversive character which were intended, or were likely, to be prejudicial to the safety of the state or the efficient prosecution of the War; the Communist party of Canada was mentioned.

DEMURRAGE ON RAILWAY CARS, MONTREAL

Question No. 2,620—**Mr. Enns:**

Were demurrage charges assessed on railroad cars held up in Montreal dockyards during the strike of freight handlers and longshoremen last July?

Mr. J. A. Byrne (Parliamentary Secretary to Minister of Transport): The National Harbours Board advises as follows: No, there was no strike in July, but during the longshoremen's strike earlier in the year demurrage charges were assessed by the main railways.

DEMURRAGE CHARGES RESULTING FROM STRIKE

Question No. 2,621—**Mr. Enns:**

What is the total amount of demurrage charges assessed by the Canadian Car Demurrage Bureau on both railroads during the strike of freight handlers and longshoremen last July?

Mr. J. A. Byrne (Parliamentary Secretary to Minister of Transport): No information available.

Questions

HARBOURS BOARD PENALTIES ON DELAYED RAILWAY CARS

Question No. 2,622—**Mr. Enns:**

1. Did the National Harbours Board apply penalties on cars delayed at delivery points because of the strike of freight handlers and longshoremen last July?

2. Have representations been received by the government requesting the waiver of demurrage charges and other penalties resulting from the strike?

Mr. J. A. Byrne (Parliamentary Secretary to Minister of Transport): The National Harbours Board advises as follows: 1. There was no strike in July. Montreal harbour did not charge car penalty during the strike of longshoremen earlier in the year. Car penalties were assessed during the strike of railway freight handlers but due to a ruling by the Canadian car demurrage bureau that demurrage should not be charged, Montreal harbour car penalty charges assessed during the freight handlers strike are being waived and refunds made.

2. No.

NOVA SCOTIA GRANTS UNDER FITNESS ACT

Question No. 2,650—**Mr. Bower:**

What organizations in the counties of Digby, Yarmouth and Shelburne, Nova Scotia, have received grants under the Fitness and Amateur Sport Act since that act came into force, and for what purposes were these grants allocated?

Hon. A. J. MacEachen (Minister of National Health and Welfare): No organizations in the counties of Digby, Yarmouth and Shelburne, Nova Scotia have received direct financial assistance from the federal government under the fitness and amateur sport program. However, the province of Nova Scotia under its fitness and amateur sport program has provided financial aid and supported projects carried out in these counties as shown in the attached summary. By agreement the federal government reimburses the province for 60 per cent of its expenditures on approved fitness and amateur sport projects up to a maximum allocation each year except in the case of undergraduate scholarships and bursaries, where the federal government pays 100 per cent of the awards made on the recommendation of the provincial government.

Summary of Financial Aid to the Counties of Yarmouth, Digby, Shelburne under the Fitness and Amateur Sport Act

1963-67			
Undergraduate scholarships and bursaries			$5,450.00
Grants to municipalities:			
	Argyle	$1,300.00	
	Clare	300.00	
	Yarmouth	1,445.72	3,045.72
Place	Association		
Digby	Atlantic division, Canadian Amateur Ski Association		75.00
Yarmouth	Nova Scotia Black Belt Association		127.30
Yarmouth	Maritime division, Canadian Canoe Association		289.01
Shelburne	Nova Scotia branch, Canadian Ladies Golf Union		70.00
Yarmouth Digby	Nova Scotia Lawn Tennis Association		70.00
Digby	Nova Scotia Hockey Referees Association		59.08
Yarmouth	Nova Scotia branch, Amateur Athletic Union of Canada, Gymnastics		100.00
	Department of Education, baseball clinic		125.00
Lockeport	Department of Education, basketball clinic		57.00
			$9,468.11

[Mr. Byrne.]

GENERAL CARGO TONNAGE, HALIFAX

Question No. 2,657—**Mr. McCleave:**

1. What has been the general cargo tonnage loaded and unloaded at Halifax each year since 1950, expressed as a percentage of the total tonnage of all types of cargo for that port?

2. What has been the tonnage of general cargo loaded and unloaded at Halifax in each of those years?

Mr. J. A. Byrne (Parliamentary Secretary to Minister of Transport): The National Harbours Board advises as follows: 1.

Year	Loaded	Unloaded	Year	Loaded	Unloaded
1950	32%	16%	1959	11%	12%
1951	36	16	1960	13	10
1952	33	12	1961	15	10
1953	29	12	1962	14	9
1954	40	12	1963	15	8
1955	28	11	1964	14	8
1956	17	12	1965	16	8
1957	16	11	1966	16	8
1958	13	11			

2. Year	Loaded	Unloaded
1950	464,090	356,829
1951	565,942	363,226
1952	654,555	296,893
1953	545,652	287,807
1954	647,036	277,730
1955	810,088	310,556
1956	623,240	373,738
1957	570,100	371,776
1958	461,365	376,279
1959	483,763	481,970
1960	515,447	399,713
1961	611,616	395,136
1962	609,701	355,618
1963	630,779	325,664
1964	715,979	385,569
1965	812,529	372,005
1966	722,803	401,626

MANUFACTURE OF DRUG LSD

No. 2,659—**Mr. Allard:**

1. Is the drug LSD manufactured in Canada and, if so, in what provinces and by what companies?

2. Is the import of LSD authorized by the Canadian government and, if so, under what conditions?

3. Is its manufacture and distribution authorized by the Canadian government?

4. Has the Department of National Health and Welfare made any studies or investigations to determine the harmful or other effects of LSD on the population in general and the young in particular?

5. Has the Canadian government received any reports on the use of LSD in some Canadian universities?

[*Translation*]

Hon. A. J. MacEachen (Minister of National Health and Welfare): 1. No.

2. Yes, for sale by specified distributors, to approved institutions, for use by qualified investigators to study its hazards and efficacy.

3. The manufacture of drugs in Canada does not require the authorization of the Department of National Health and Welfare. However, the manufacture of drugs for sale in Canada is controlled by the Food and Drugs Act and Regulations. The sale of LSD in Canada is strictly controlled under this legislation.

4. No.

5. Yes. The Department of National Health and Welfare has received reports on limited use of LSD in some Canadian universities.

[*English*]

*PRINTING OF BOOKLET ON MAPLE SYRUP

Question No. 2,669—**Mr. Racine:**

With reference to the booklet published by the information division of the Department of Agriculture and bearing the category number A-73-1096F; maple syrup-sugar-butter-taffy (a) how many copies were printed in 1961 (b) how many copies were reprinted in 1964 (c) was this booklet distributed to different organizations throughout the country, i.e., hotels, restaurants, institutions, etc., or was it supplied upon request?

Mr. Bruce S. Beer (Parliamentary Secretary to Minister of Agriculture): Mr. Speaker, the answer to the question is as follows: (a) In 1961 the quantities printed were as follows: English, 25,000; French, 15,000; (b) In 1964 the quantities printed were as follows: English, 10,000; French, 15,000; (c) This booklet was supplied on request only.

U.S. UNION OBJECTION TO APPEARANCE ON CENTENNIAL TELEVISION SHOW

Question No. 2,680—**Mr. McIntosh:**

1. Was an invitation extended by telephone on February 8 by the C.B.C. to Mr. John M. Lucky of Saskatoon, to appear on a C.B.C. television show in Halifax representing Saskatchewan in a centennial series?

Questions

2. Was he informed on arrival in Halifax on February 15 that he would not be able to appear because of objections by the American Federation of Musicians, New York office and, if so, what form did these objections take, and why were they allowed by the C.B.C. to influence their decision with regard to a scheduled appearance on a C.B.C. television show?

Hon. Judy V. LaMarsh (Secretary of State): 1. On February 8 an invitation was extended to Mr. John M. Lucky of Saskatoon to appear as a guest on a Don Messer television program, not in a centennial series.

2. On February 13 the Halifax Musicians Association, local 571 of the American Federation of Musicians, informed Don Messer, a member of that association, that they objected to his appearing with this non-union performer. Their action was based on correspondence from the Saskatoon local of the A. F. of M. which expressed strong objections. When the C.B.C. was notified, it was too late to reach Mr. Lucky before his departure for Halifax. On his arrival he was informed that the A. F. of M. would not approve his appearance with the Don Messer orchestra and that he could not be used as a guest. The C.B.C. has a national contract with the A. F. of M. which respects the federation's jurisdiction in this matter.

FURTHER USE OF UNEMPLOYMENT INSURANCE COMMISSION OFFICES IN N.S.

Question No. 2,682—**Mr. MacEwan:**

1. Are the U.I.C. offices in Amherst, Nova Scotia, and Truro, Nova Scotia, being used by Canada pension plan officials on a once-a-week basis for servicing under the plan?

2. Is assistance being given at the Antigonish, Nova Scotia, Canada pension plan office in the completion of the application forms for the new guaranteed income supplement?

3. Will the government give consideration to using the New Glasgow U.I.C. office for Canada pension plan use on a part-time basis, and also for assistance to applicants applying for the new guaranteed income supplement?

Hon. A. J. MacEachen (Minister of National Health and Welfare): 1. Yes.

2. Yes.

3. Consideration is being given to establishing a Canada Pension Plan service outlet in New Glasgow. This would operate on a part time basis and would also provide assistance to persons applying for the new guaranteed income supplement.

[Mr. McIntosh.]

REQUEST FOR FERRY SERVICE, PORT HOOD, N.S.-P.E.I.

Question No. 2,685—**Mr. McQuaid:**

1. Has the government received a resolution approved by the municipal council of the municipality of the county of Inverness asking for a ferry service between Port Hood, Nova Scotia, and some point in Prince Edward Island?

2. If so, is the government giving serious consideration to the inauguration of such a service in the near future?

3. Has the government already conducted, or does it propose to conduct, a feasibility study on this proposed ferry service?

4. If the study has already been conducted, what are the particulars and any conclusions which have been arrived at?

Mr. J. A. Byrne (Parliamentary Secretary to Minister of Transport): 1. Yes.

2. Not at present.

3 and 4. A general review indicated that the costs of vessel and terminals and costs and conditions of the operation were unfavourable when balanced against probable benefits.

*PAYMENTS TO MEMBERS OF TAXATION COMMISSION

Question No. 2,686—**Mr. Coates:**

1. What were the names of the commissioners appointed to the royal commission on taxation?

2. What was the per diem honorarium paid to (a) the chairman (b) other members of the commission?

3. What was the total honorarium paid to each member of the commission and, in each case, in respect of how many days?

4. What was the method of determining expenses paid to (a) the chairman (b) other members of the commission?

(5) If expenses were paid on the basis of actual transportation plus a per diem living allowance, what was the per diem living allowance paid to (a) the chairman (b) other members of the commission?

6. What was the total amount of expenses, other than transportation, paid to each member of the commission, and in each case, in respect of how many days?

7. What would be the total amount of expenses, other than transportation, paid to each member of the commission, on a $25 per diem maximum for living expenses?

Mr. John R. Matheson (Parliamentary Secretary to Prime Minister): Mr. Speaker, the answer to this question is rather lengthy and contains numerous figures. I would therefore ask permission of the house to print this answer in *Hansard* as though read.

Mr. Speaker: Is there agreement to considering the answer as read?

Some hon. Members: Agreed.

[*Editor's note: Text of answer referred to above is as follows*].

I am informed by the royal commission on taxation as follows: 1. K. LeM. Carter, chairman, A. Emile Beauvais, D. G. Grant, Mrs. S. M. Milne, J. H. Perry, Chas. E. S. Walls.

2. (a) $100 per diem. (b) $100 per diem.

Questions

3.

	To February 28, 1967
K. LeM. Carter	$68,100—681 days
A. Emile Beauvais	33,400—334 days
D. G. Grant	33,500—335 days
Mrs. S. M. Milne	43,200—432 days
J. H. Perry	60,700—607 days
Chas. E. S. Walls	43,900—439 days

4. (a) and (b) Transportation expenses plus $20 per diem to cover hotel accommodation and meals.

5. Answered by part 4.

6.

K. LeM. Carter—Chairman	$ 5,260—204½ days at $20—$4,090
	117 days at $10— 1,170*
A. Emile Beauvais	3,230—161½ days at $20
D. G. Grant	5,830—291½ days at $20
Mrs. S. M. Milne	5,200—260 days at $20
J. H. Perry	4,040—202 days at $20
Chas. E. S. Walls	6,310—315½ days at $20
	$29,870

7. $38,800.

* While residing in Ottawa.

EASING OF IMMIGRATION PROCEDURES DURING CENTENNIAL

Question No. 2,693—**Mr. Dinsdale:**

1. Have procedures been eased in countries like Poland to encourage a greater flow of visitors to Canada for centennial and, if so (a) what is the nature of the changes in procedures, and (b) to what countries do they apply?

2. Is a security bond of $1,000 required for every visitor from Poland and, if so, when was this requirement instituted?

Mr. J. C. Munro (Parliamentary Secretary to Minister of Manpower and Immigration): 1. Some improvements in the normal procedures have been agreed upon by the departments concerned which will facilitate the processing of visitors during centennial year. (a) The nature of the changes involves the streamlining of administrative procedures and communications between offices in Canada and overseas in order to expedite processing of applications from visitors. Also, those persons travelling in transit through Canada to the United States who wish to visit Expo will be allowed to do so for a period of up to 48 hours without the necessity of obtaining a non-immigrant visa prior to their departure from abroad. Other possible improvements are being explored. (b) Poland; Czechoslovakia; Hungary; U.S.S.R.; Yugoslavia; Roumania; Bulgaria.

2. No. Security bonds are required only of those individuals seeking to enter Canada as visitors whose purpose in coming is doubtful.

*PROTESTS RESPECTING LEVEL CROSSING, COTE ST. LUC, QUE.

Question No. 2,702—**Mr. Trudeau:**

1. When will a meeting of the board of transport commissioners be held to hear representations regarding the level crossing on Cote St. Luc road, where on the morning of February 11, 1967 a bus filled with children narrowly avoided collision with a C.P.R. train because the railway barrier did not descend, nor its lights operate to warn approaching traffic on the road of the train, and where four persons have already lost their lives?

2. For what reasons has an overpass or underpass not been constructed on this thoroughfare?

Mr. J. A. Byrne (Parliamentary Secretary to Minister of Transport): Mr. Speaker, the board of transport commissioners advises as follows: 1. As indicated in the question, the board of transport commissioners scheduled a public hearing in this matter in the city of Cote S. Luc for February 27. However, at the request of the city of Montreal, also an interested party in the matter, the hearing was postponed as the city was unable to obtain the necessary records from its files for the hearing due to the strike of civil

employees. The board has now set April 10 for the postponed public hearing.

As to the incident mentioned in the question, the board will inquire into the matter and ascertain whether the facts were as so stated.

2. The cities of Montreal and Cote St. Luc are jointly interested in the project and each has its own proposal and they have not been able to agree.

*LOANS TO EXHIBITIONS FOR MULTI-PURPOSE BUILDINGS

Question No. 2,706—**Mr. Pascoe:**

1. Did the Minister of Agriculture indicate recently that long-term government loans to exhibition companies for multi-purpose buildings will be made available in the near future?

2. Will such loans be obtainable this year?

Mr. Bruce S. Beer (Parliamentary Secretary to Minister of Agriculture): Mr. Speaker, the answer to the question is in two parts. The answer to the first part of the question is no. The minister has indicated, however, that he hoped that legislation respecting long term government loans to exhibition corporations for multi-purpose buildings would be introduced in the house within a reasonable period.

The answer to the second part of the question is as follows. For any such loans, legislation would be required, and should the government reach a decision to introduce such legislation the decision will be announced in the usual manner.

REORGANIZATION OF PUBLIC WORKS DEPARTMENT

Question No. 2,716—**Mr. Bell (Carleton):**

1. Is a re-organization of the Department of Public Works in progress?

2. If so (a) what, in detail, is (i) the objective (ii) the nature, of such re-organization (b) upon whose advice was it undertaken?

3. If outside consultants have been used in advising upon the re-organization (a) what were the names of such persons (b) what amount was paid to them for their work?

4. How many employees of the department are affected by such re-organization?

5. Of the number mentioned in part 4, how many have been (a) promoted (b) demoted (c) red-circled at a lower level than their current classification (d) refused selection for positions in the new organization and assigned to occupy supernumerary positions?

6. What is the departmental policy for relieving the classes of employees shown in the answer to part 5 (b), (c), and (d)?

7. Of the employees promoted, how many are in the following salary ranges (a) under $5,000 per annum (b) between $5,000 and $10,000 per annum (c) between $10,000 and $15,000 per annum (d) over $51,000 per annum?

[Mr. Byrne.]

Hon. G. J. McIlraith (Minister of Public Works): 1. Yes.

2. (a) (i) The objective of the reorganization is to provide better and more efficient service to all government departments and agencies served by the Department of Public Works and to plan and carry out more effectively, public works projects which have increased substantially in numbers and scope since the department was last reorganized. (ii) The nature of the reorganization is, basically, to decentralize operations, including the implementation of approved departmental programs, to six regional offices across Canada; the determination of these programs will be maintained as a headquarters responsibility. (b) The reorganization was undertaken on the advice of departmental management, with treasury board approval, in order to be in a position to implement recommendations of the Glassco commission.

3. (a) Peat, Marwick, Mitchell and Co.; (b) $197,536.60.

4. Until the reorganization is completed, it is not possible to state exactly the total number of employees who will be affected. There were approximately 8,500 continuing full time employees in the department on March 9, 1967. Of these, there are about 5,850 operating staffs whose functions will not be altered by the reorganization. Direct effects will be confined, almost entirely, to non-operating employees of whom there were about 2,650 on March 9, 1967.

5. As a result of the reorganization up to March 9, 1967: (a) 111; (b) Nil; (c) 2; (d) Nil.

6. Departmental policy covering employees who are or may be within the definitions contained in 5 (c) (d) is: Employees who, as a result of the reorganization, are placed in a position which is classified at a lower level than their current classification will retain this current classification level and where performance is satisfactory, will be allowed to proceed to the present salary maximum for that level in accordance with civil service pay regulations. These salary maxima will not be increased as a result of revisions arising from cyclical pay reviews. However, such employees will be eligible for further salary increases when the salary range for their position in the new organization has, as a

result of economic revisions, exceeded this fixed salary maximum, or if their new position is reclassified to a higher level or if the employee is promoted to a higher level position.

Employees not selected for positions in the new organization who are occupying supernumerary positions will retain their current classification level and, where performance is satisfactory, will be allowed to proceed to the present salary maximum for that level in accordance with civil service pay regulations. These salary maxima will not be increased as a result of revisions arising from cyclical pay reviews. This supernumerary arrangement will be interim in nature pending the placement of affected employees in continuing positions in the new organization or elsewhere.

Present departmental policy precludes the demotion of any employee solely as a result of the current changes in the organization of the department.

7. As a result of the reorganization up to March 9, 1967, departmental employees have been promoted in the following numbers: (a) Nil, the reorganization staffing program has not, as yet, reached positions at these levels; (b) eight; (c) 44; (d) 59.

The staffing program in groups (b), (c) and (d) have not been completed.

RETIREMENT FACILITIES FOR RETIRED PERSONS

Question No. 2,734—**Mr. Isabelle:**

Is it the intention of Central Mortgage and Housing Corporation to publish a list of resorts and retirement facilities in Canada for retired people?

Hon. J. R. Nicholson (Minister of Labour): No. Central Mortgage and Housing Corporation has no information on this subject.

QUESTION PASSED AS ORDER FOR RETURN

LOANS, GRANTS AND SUBVENTION TO DOMINION COAL CO.

Question 2,504—**Mr. Muir (Cape Breton North and Victoria):**

1. Since 1957, what amounts, in detail, have been loaned by the government or any of its agencies to the Dominion Steel and Coal Company or any of its subsidiaries?

2. What balance is owing at the present time in regard to such loans?

3. Since 1957, what amounts, in detail, have been provided as direct grants or subsidies to the Dominion Steel and Coal Company or any of its subsidiaries?

4. Since 1957, what amounts have been paid annually in the form of subventions for the shipment of coal produced by the Dominion Steel and Coal Company of any of its subsidiaries?

Return tabled.

MOTIONS FOR PAPERS

Mr. J. B. Stewart (Parliamentary Secretary to Minister of Public Works): Mr. Speaker, notices of motions for papers No. 72 and No. 199 are acceptable to the government.

Notices of motions No. 216 and No. 217 are acceptable subject to the usual reservation concerning the consent of the relevant provincial governments.

Would you please call notices of motions No. 191, No. 210 and No. 218. I ask that the remaining notices of motions be allowed to stand.

PRIOR KNOWLEDGE OF TAXATION COMMISSION REPORT

Motion No. 72—**Mr. Knowles:**

That an order of the house do issue for a copy of any communications exchanged between the Carter royal commission on taxation and the Department of Finance, or the minister or any official thereof, with reference to officials of the Department of Finance seeing draft chapters of the commission's report prior to its being presented to the governor in council.

Motion agreed to.

C.B.C. APPLICATION FOR DEFERMENT OF LABOUR CODE

Motion No. 191—**Mr. Howard:**

That an order of the house do issue for a copy of all correspondence, telegrams or other documents exchanged between the Canadian Broadcasting Corporation, or any official thereof and any other person, group or organization, excepting any other department or agency of the government, relating to the application of the Canada Labour (Standards) Code or the deferment or suspension of any part thereof.

Hon. Judy V. LaMarsh (Secretary of State): Mr. Speaker, I have looked into the matter raised in this motion and am advised by the C.B.C. that the subject matter of this correspondence is related basically to the internal management and administration of the corporation, and thus in the view of the C.B.C. should not be made public.

If I might I should like to suggest to the house that the C.B.C., if it is to be able to

exercise the managerial responsibilities given it by statute, must be free to correspond with other broadcasters and its unions, as it has in this case, without being called upon to make such correspondence public.

Mr. Speaker: Order, please. I understand it is against the usual procedure of the house for the minister to make a lengthy statement at this time.

Miss LaMarsh: I would ask therefore that because production of such correspondence could be detrimental to the internal management and administration of the corporation, the hon. member agree to withdraw his motion.

Mr. Frank Howard (Skeena): Mr. Speaker, this motion asks for correspondence relating to the enforcement of the law passed by this parliament, and it is considered by one of the unions involved not to be privileged information. Consequently I should like to see this law applied. This leaves us no other course but to have the motion put.

Miss LaMarsh: May I ask that the motion be transferred for debate.

Mr. Speaker: Transferred for debate.

CORRESPONDENCE WITH WILLIAM GRUBER, TORONTO

Motion No. 199—**Mr. Orlikow:**

That an order of the house do issue for copies of all correspondence received by the Minister of Finance, the superintendent of insurance, the superintendent of bankruptcy or officials in their departments, from William Gruber of Toronto, and replies sent by government officials to such letters, since January 1, 1964.

Motion agreed to.

PROPOSED SOUTHERN ROUTE HIGHWAY, CAPE BRETON ISLAND

Motion No. 210—**Mrs. MacInnis (Vancouver-Kingsway):**

That an humble address be presented to His Excellency praying that he will cause to be laid before this house a copy of all correspondence between the federal government, any crown corporations or federally sponsored organizations or agencies and the provincial government of Nova Scotia concerning the proposed project hitherto known as the southern route in Cape Breton island, between January 1910 and January 1960.

Hon. G. J. McIlraith (Minister of Public Works): This motion refers to correspondence in the period between 1910 and 1960. The records and files for the period 1938 to 1960 are available to the personnel of the Department of Public Works, but the earlier files are not. Subject to the usual reservation of obtaining the agreement of the provincial government, I am quite happy to have the correspondence produced and also subject to the limitation to which I have referred about not being able to get correspondence prior to 1938.

Mrs. MacInnis (Vancouver-Kingsway): I think that will be quite satisfactory.

Mr. Speaker: Subject to the reservation referred to by the minister, is it agreeable that the motion do pass?

Motion agreed to.

NATIONAL CONFERENCE ON AGRICULTURAL PROBLEMS

Motion No. 216—**Mr. Dinsdale:**

That an humble address be presented to His Excellency praying that he will cause to be laid before this house a copy of all communications exchanged between the government of Manitoba and the Minister of Agriculture or the Canadian government with reference to the calling of a national conference on agricultural problems.

Motion agreed to.

SECOND NATIONAL PARK, MANITOBA

Motion No. 217—**Mr. Schreyer:**

That an humble address be presented to His Excellency praying that he will cause to be laid before this house copies of all correspondence and relevant documents between the government of Canada and the government of Manitoba relative to the proposed establishment of a second national park in Manitoba.

Motion agreed to.

McCULLOCH REPORT ON P.E.I. CAUSEWAY

Motion No. 218—**Mr. MacDonald (Prince):**

That an humble address be presented to His Excellency praying that he will cause to be laid before this house copies of reports to the Department of Public Works by O. J. McCulloch, on the construction proposed for the Northumberland strait crossing and an analysis of same by the department, and also a copy of all communications exchanged between the Department of Public Works and O. J. McCulloch and all communications exchanged between the government of Canada and its departments and the government of Prince Edward Island and its departments relating to the proposed design of the Northumberland strait crossing.

Hon. G. J. McIlraith (Minister of Public Works): Mr. Speaker, this motion refers to a copy of a report to the Department of Public Works by O. J. McCulloch, an analysis of same and to all communications between the department, Mr. McCulloch and the provincial government of Prince Edward Island. I

assume what the hon. member is referring is a copy of a commentary and revision thereof referred to in an answer I gave in the house on February 8 to question No. 2556. If this is so, there is no objection to the production of that material. The correspondence can be produced as well. The analyses of the commentary are intradepartmental matters and therefore cannot be produced in accordance with the usual practice. Subject to this qualification I am glad to have the motion pass.

Mr. MacDonald (Prince): It is agreeable to me, provided that at some date fairly soon the minister or some representative of his department can give assurance to the people of Prince Edward Island that such report by Mr. McCulloch has not jeopardized the contemplated construction of the crossing.

Mr. Speaker: Subject to the reservation expressed by the minister, is it agreed that the motion shall pass?

Motion agreed to.

Mr. T. S. Barnett (Comox-Alberni): I rise on a question of privilege with reference to the standing of motions. I wonder if I might ask the parliamentary secretary, with respect to No. 215, when we may expect this motion to be brought forward. I may say I was given to understand informally that the motion would be allowed to stand for a week, but the information is urgently desired.

Mr. J. B. Stewart (Parliamentary Secretary to Minister of Public Works): I will see if that information can be obtained soon.

Mr. Eric A. Winkler (Grey-Bruce): May I ask the Minister of Industry when I may expect an answer to my question No. 2,618 on the order paper. It has been there for a month, and I am sure this information is available to the minister. Or does he find the answer too embarrassing?

Hon. C. M. Drury (Minister of Industry): I regret the delay very much, but the answer has been approved by me and is somewhere in the machine. I had hoped it would have been amongst the answers given today. The next day it is sure to be there.

Mr. Winkler: The machine is all fouled up.

TRANSPORT

WELLAND CANAL—PROTEST RESPECTING IMPOSITION OF TOLLS

On the orders of the day:

Right Hon. J. G. Diefenbaker (Leader of the Opposition): I should like to ask the Minister of Transport whether representations have been received from Mr. V. W. Scully, chairman of the board, and Mr. Griffith, president of the Steel Company of Canada, relating to the imposition of lockage fees on the Welland canal? The contention of these gentlemen is that this represents a discriminatory step against Ontario steel producers, since the Welland canal will be the only North American waterway to bear such charges. Since the result will be substantially to increase the cost of transporting raw material and will weaken the position of Canadian steel producers on lake Ontario, will the government reconsider this matter, difficult as that may be?

Hon. J. W. Pickersgill (Minister of Transport): Mr. Speaker, in so far as the factual question is concerned, the answer is that a telegram of the nature indicated by the right hon. gentleman has been received. I can assure him that this whole matter has received long, careful and indeed I might almost add agonizing consideration. It does not seem to me, having regard to the law as it now stands, that the government would be justified in reconsidering it.

Mr. Diefenbaker: Mr. Speaker, I ask the minister whether that is a final decision, or is it possible that his heart might be softened enough to provide for an agonizing reappraisal?

Mr. Pickersgill: Mr. Speaker, I do not think any decision in this vale of tears is ever final. As the right hon. gentleman will recall, decisions were sometimes made in connection with the Welland canal without much consideration of any kind, and did not always lead to the results that were expected.

BRITISH COLUMBIA—FEDERAL CONTRIBUTION TO BURRARD INLET CROSSING

On the orders of the day:

Mr. T. C. Douglas (Burnaby-Coquitlam): Mr. Speaker, I desire to direct a question to the Minister of Transport regarding the press release he has given out today, and the announcement being made in Vancouver by the Minister of Labour regarding a third crossing for Burrard Inlet. In that release it is stated that the federal government is prepared to make a capital contribution to the project which reflects obligations which are essentially national rather than local in character. May I ask the minister whether he can be more specific and inform those interested as

to the percentage of the total cost the federal government would be prepared to contribute.

Mr. Speaker: Order, please. It seems to me that the question now asked by the hon. member is not of the type that can be asked now. The hon. member is asking for an additional statement, and perhaps this may be done on another occasion, on motions.

Mr. Douglas: A point of order, Mr. Speaker. I am asking the minister simply whether he will clarify his statement and if he can tell me the percentage of the total cost of this project that the federal government is prepared to contribute. That is the only answer I need.

Mr. Speaker: Perhaps this particular question might be placed on the other paper.

Mr. Douglas: Ten o'clock, Mr. Speaker.

[*Translation*]

EXPO '67

POSSIBILITY OF ATTENDANCE WITHOUT REGARD TO FINANCIAL POSITION

On the orders of the day:

Mr. Gérard Laprise (Chapleau): Mr. Speaker, I intended to put my question to the right hon. Prime Minister, but I shall put it instead to the hon. Minister of Trade and Commerce, the minister answerable to the house for Expo.

Has the minister received representations from certain organizations in Montreal intended to enable all who wish to visit Expo '67 to do so, regardless of their financial situation, that is to say that everyone will be able to visit Expo even if they cannot afford it?

Mr. Speaker: Order. I feel the question of the hon. member is far too general, and that it is therefore out of order at this time.

Mr. Laprise: Ten o'clock, Mr. Speaker.

[*English*]

INDUSTRY

GENERAL MOTORS—DISCONTINUATION OF CANADIAN PRODUCTION OF TWO MODELS

On the orders of the day:

Mr. H. A. Olson (Medicine Hat): Mr. Speaker, I should like to address a question to the Acting Prime Minister based on the statement by General Motors of Canada that they intend to discontinue the production of two of their models in Canada, the Acadian and the Chevy II, and import these models from the United States. Has the government received any assurance from, or been given any undertaking by, General Motors Corporation, in keeping with the agreement, that there will be additional production in other lines in Canada for export to the United States to offset this decline in production at home?

Mr. Speaker: Order, please. I do not want to be particularly difficult, but it seems to me that the question asked by the hon. member for Medicine Hat is also of a general nature and I am wondering whether it can be asked at this time.

Mr. Olson: Mr. Speaker, if I may make some representation to Your Honour about the urgency and importance of the matter, there appeared in the press yesterday and today a positive statement from General Motors that they are ceasing production in Canada of two of their very popular models. I think this house has the right to know whether the government has had an assurance, in keeping with the agreement, that this decline in that particular line of production is going to be offset by some other exports.

Hon. C. M. Drury (Minister of Industry): Mr. Speaker, I hope I can give a general assurance, without entering into particulars, that the targets set for achievement by the motorcar companies by the end of model year 1968 will be achieved.

Mr. A. D. Hales (Wellington South): A supplementary question, Mr. Speaker. Can the minister assure the house that those models, to be made in the U.S.A., will be sold in Canada at the same price they are sold in the United States?

Mr. Drury: Unfortunately the hon. gentleman is referring to models the production of which is being discontinued.

RESEARCH

SUPPORT FOR HARP PROJECT FROM FOREIGN COUNTRY

On the orders of the day:

Mr. Eric A. Winkler (Grey-Bruce): Mr. Speaker, I have a question for the Acting Prime Minister. Inasmuch as the HARP project for space research at McGill University has been rejected by the federal government, is the Acting Prime Minister aware that this project will be supported by external foreign aid, from another country?

Hon. Paul Martin (Acting Prime Minister): I wish to take notice of that very interesting question.

Mr. Winkler: Inasmuch as the minister says that he will take notice, will he re-assess the government's position in this matter?

Mr. Martin (Essex East): I said I would take notice of the question.

Mr. T. C. Douglas (Burnaby-Coquitlam): A supplementary question, Mr. Speaker. In view of the statement of the Minister of Industry the other day to the effect that the Chapman report was the basis upon which the government decided not to continue its financial contributions, could I ask the Acting Prime Minister, or the Minister of Industry, if it is not true that the Chapman report suggested that there is a place for the HARP project? Also, will not the government reconsider its position on that basis?

Hon. C. M. Drury (Minister of Industry): Mr. Speaker, I do not think I said that the Chapman report formed the basis of ceasing government support for the HARP program. It might interest the hon. member to know that just about one year ago there was a long and I think fruitful discussion with the principal of McGill University and members of his staff regarding the future of HARP. Assurances were received from the university and the principal officers of this project that by June of 1967 the HARP program could be completely self-supporting, without further assistance from the government of Canada. On this basis it was agreed with McGill University that there would be no further support from the federal government for the HARP project, as such.

The federal government and its agencies would, however, continue to provide financial assistance to those particular aspects of the HARP program which were of interest to Canadian science and scientists. This undertaking, this readiness to support aspects of the HARP program which will be fruitful and useful to Canadian science is being and will be continued.

An hon. Member: Good luck.

Mr. Speaker: Order, please. I regret to have to interrupt the hon. minister, but his answer is more in the nature of a statement, and cannot continue.

Mr. Winkler: A supplementary question to the Minister of Industry, Mr. Speaker. Since the minister seems to know about this question, may I ask him whether he is aware that the additional aid will come from the external aid program of another country?

Mr. Drury: No, Mr. Speaker.

Mr. Speaker: Order, please.

Mr. Drury: I think the hon. member is misinformed.

HOUSING

REQUEST FOR STATEMENT OF GOVERNMENT POLICY

On the orders of the day:

Mr. Heward Grafftey (Brome-Missisquoi): Mr. Speaker, referring to Canada's current housing shortage crisis the Minister of Labour said yesterday that the cross-country symposia and study group sessions have now been terminated, as is confirmed by press reports. In view of this I would ask the Acting Prime Minister whether the government is now considering announcing new housing measures to stimulate house building in time to affect spring housing starts. In other words are measures now being considered in time to affect new spring housing starts, to fulfil the demands of hundreds of thousands of Canadians now looking for a roof over their heads.

Hon. Paul Martin (Acting Prime Minister): Mr. Speaker, at the appropriate time the government, through the Minister of Labour in charge of housing, will make an announcement showing that the government has been giving this and other matters having to do with housing active consideration.

Mr. Grafftey: A supplementary question. I asked whether the government is considering making an announcement which would affect spring housing starts. There is a certain degree of urgency here.

Mr. Speaker: Order, please. The hon. member's second question is substantially the same as his first question.

EXTERNAL AFFAIRS

REQUEST FOR STATEMENT ON FOREIGN POLICY

On the orders of the day:

Hon. Gordon Churchill (Winnipeg South Centre): My question is for the Acting Prime Minister in his capacity as Secretary of State for External Affairs. I am sure he will be glad to answer without looking pitifully to the Speaker for protection. I intend to use his own words, words the minister used in the other place this morning when speaking on external affairs.

Mr. Pickersgill: That question is out of order already.

Mr. Churchill: I am referring to a press release from the minister's office. I am sure he would want that widely circulated; I am giving it some publicity now. Will the minister answer this question in the same way that he answered it in the other place. When will the minister—and I now use his words, Mr. Speaker—"share with us in a preliminary way some of the considerations which have to be taken into account in our study of our foreign policy."

Hon. Paul Martin (Secretary of State for External Affairs): Mr. Speaker, when I was in the other place this morning I thought of my hon. friend and of the desire which I know at one time he entertained—a desire to be in that place, which was frustrated for one reason or another. I should be glad of course to comply with requests of this house of parliament, as I complied this morning with a request of the other house of parliament.

VIET NAM—INQUIRY AS TO PRESENT POSITION

On the orders of the day:

Mr. David Lewis (York South): I have a question for the Secretary of State for External Affairs. In view of the continuing and increasingly disturbing escalation of the war in Viet Nam can the Secretary of State for External Affairs tell us whether any new steps are being taken by the international control commission, by any other agency, or by this government?

Hon. Paul Martin (Secretary of State for External Affairs): Yes, Mr. Speaker. There are new efforts being made in several quarters. I am sure my hon. friend knows why it is not possible to go beyond that statement at this moment.

VETERANS AFFAIRS

REQUEST THAT PENSION INCREASE BE EXTENDED TO DEPENDANTS

On the orders of the day:

Mr. Jack McIntosh (Swift Current-Maple Creek): My question is directed to the Minister of Veterans Affairs. Last November the minister announced an increase of 15 per cent in the basic single rates of veterans pensions. At that time he indicated that he had a special group of his staff studying the dependants' rates. In reply to subsequent questions on this topic he has given evasive and delaying answers. Will the minister now inform the house—

Mr. Speaker: Order, please. The hon. member must be fair to other hon. members and put his question as quickly as possible.

Mr. McIntosh: Will the minister now inform the house if the overdue report can be expected before the end of the current session? If not, will he give us a progress report on the activities of his special group, so that we as members of this parliament can reply to the many veterans who are writing to us on this subject?

Hon. Roger Teillet (Minister of Veterans Affairs): Mr. Speaker, I thought I had answered that kind of question quite clearly yesterday.

[*Later:*]

Mr. D. V. Pugh (Okanagan Boundary): My question is directed to the Minister for Veterans Affairs. When the veterans dependants are given the 15 per cent increase, will such increase be made retroactive to November, 1966, the date of the other 15 per cent raise?

Hon. Roger Teillet (Minister of Veterans Affairs): This of course will have to await a decision.

[*Translation*]

CANADIAN CONSTITUTION

REQUEST FOR COMMITTEE CONSIDERATION OF POSITION OF GOVERNOR GENERAL

On the orders of the day:

Mr. Maurice Allard (Sherbrooke): Mr. Speaker, my question is directed to the Secretary of State for External Affairs in his capacity as Acting Prime Minister.

Before recommending the appointment of a new governor general, does the government intend to have the office of governor general studied by the committee of officials on constitutional reform, in view of Canada's political evolution?

[*English*]

TRANSPORTATION

INQUIRY AS TO REPORT ON MARITIME STUDY

On the orders of the day:

Mr. J. M. Forrestall (Halifax): My question is for the Minister of Transport. I wonder if he can now shed some light for us on the

special maritimes transportation study, particularly as this matter is now urgent, that a proper evaluation may be given to the Kauffeld report, one able proposal for the orderly development of Halifax harbour.

Hon. J. W. Pickersgill (Minister of Transport): I am afraid, sir, that I am not in a position to shed any light.

INDUSTRY

TRENTON, N.S.—REMOVAL OF MACHINERY FROM HAWKER SIDDELEY PLANT

On the orders of the day:

Mr. H. Russell MacEwan (Pictou): I have a question for the Prime Minister which in his absence I shall direct to the Acting Prime Minister. Has the Acting Prime Minister received a telegram from the president of local 1231 of the United Steel Workers of America at the Hawker Siddeley Trenton plant, Nova Scotia, to the effect that the Department of National Defence is removing machines from the marine finish part of this industry and putting the heavy forge press, one of the largest in Canada, on the market for sale? If so, would the minister look into this matter with a view to permitting this machinery to remain in its present place so that employment in this plant may not be interfered with?

Mr. Speaker: Order. The hon. member has made a representation—

Mr. MacEwan: On a point of order, this is a designated area and there is no point in trying to bring new industry into the area if machinery is to be pulled out of the old.

FISHERIES

INQUIRY AS TO ESTABLISHMENT OF GEOGRAPHICAL CO-ORDINATES

On the orders of the day:

Mr. Frank Howard (Skeena): I have a question for the Acting Prime Minister. May I say to him that he fills that role with a distinction and a verve seldom seen in this house. I would ask him whether in his new-found capacity and with his new authority he is in a position to make any pronouncement about straight base lines?

Hon. Paul Martin (Acting Prime Minister): A date is approaching when I shall be able to say something more specific about the establishment of the co-ordinates and the straight base lines. We are now awaiting a formal reply to a note we sent the other day to the government of the United States. There have been some informal discussions in regard to the note and I believe that progress is being made. I know the hon. gentleman will welcome this information.

Mr. Howard: Could the minister be more precise with regard to the date which he says is approaching, and tell us whether it will be this year or next year?

Mr. Martin (Essex East): I am sure it will be well before the end of the next three months.

GRAIN

REQUEST FOR OPEN QUOTA ON DURUM WHEAT

On the orders of the day:

Mr. R. D. McLelland (Rosetown-Biggar): I wish to direct a question to the Minister of Trade and Commerce who has responsibility for reporting to this house on behalf of the Canadian Wheat Board. Could the minister inform us whether the board is considering the re-establishment of the open quota for Durum wheat which was discontinued on February 28 of this year?

Hon. Robert Winters (Minister of Trade and Commerce): I will take this question as notice.

STATEMENT ON NEGOTIATIONS RESPECTING INTERNATIONAL WHEAT AGREEMENT

On the orders of the day:

Hon. Robert Winters (Minister of Trade and Commerce): May I take this opportunity to reply to a question asked yesterday by the hon. member for Humboldt-Melfort-Tisdale in connection with my conversations in Geneva last week, where I had meetings with the Canadian delegation to the GATT cereal negotiations which are being conducted as part of the Kennedy round. As hon. members are aware, the delegation includes producer advisers along with officials of the Canadian Wheat Board and the government departments concerned.

I also had discussions on this important subject in Germany and the United Kingdom where I gained the impression that there is growing acceptance of the need for an increase in the minimum price, as well as in the price range advanced by the exporting countries including, of course, Canada.

It would not be appropriate for me to comment on the details of these negotiations which are being conducted on a confidential

basis. There are still difficult and complex questions to be resolved.

I can say, however, that progress has been made in recent weeks. It would be premature to forecast the possible outcome of these negotiations, but I am hopeful there will be a successful result. We are keeping very close to developments and doing all we can to advance them.

Mr. Speaker: Order, please.

Right Hon. J. G. Diefenbaker (Leader of the Opposition): Two seasons ago the wheat board cut the price of the farmers' wheat by some 17 cents a bushel, which lost the western farmers—

Some hon. Members: Order.

Mr. Diefenbaker: I ask the minister whether consideration is now being given to restoring what was taken away from the western farmers by that action.

Mr. Winters: I am sure the right hon. gentleman shared the general satisfaction of all hon. members with the initial price and the final price for wheat paid to western farmers in respect of last year's crop, one of the highest on record in a year when many records were set.

TRADE

SALE IN CANADA OF GOODS CONFISCATED IN CUBA

On the orders of the day:

Hon. Robert Winters (Minister of Trade and Commerce): May I also reply to a question asked on Monday by the hon. member for Gaspé about the sale of Cuban goods by auction.

Mr. Speaker: Order, please. We have only 30 minutes today for questions and the hon. member for Gaspé is out of the house for the moment, so perhaps this answer might be given tomorrow.

EXPO '67

INQUIRY AS TO PUBLICITY IN UNITED STATES

On the orders of the day:

Mr. Lawrence Watson (Assiniboia): I should like to address my question to the Minister of Trade and Commerce, who is in charge of Expo '67. I believe the Secretary of State would be interested in this question, too, but I see the hon. lady has left the chamber.

On Monday I had occasion to meet two Americans from the city of Chicago who felt that Canada—

[Mr. Winters.]

Mr. Speaker: Order, please. The hon. member's question cannot be preceded by a narrative of any kind.

Mr. Pickersgill: A reminiscence.

Mr. Watson (Assiniboia): Can the minister tell the house to what extent Expo, and the fact that it is being held in Canada's centennial year, is being advertised throughout the United States, as this would be a real source of tourist dollars for Canada?

Mr. Speaker: I have the impression that this is not a question which can be asked at this time.

HEALTH AND WELFARE

RESEARCH INTO ILLNESS CAUSED BY NOISE

On the orders of the day:

Mr. H. W. Herridge (Kootenay West): I wish to focus my attention on the parliamentary secretary to the Minister of National Health and Welfare—

Some hon. Members: Oh, oh.

Mr. Herridge: —for the purpose of asking a question. It concerns both unions and management in Great Britain at this time. In view of the statement made by Professor E. J. Richards of Southampton University's institute of sound and vibration research that there is ample evidence that many a worker's hearing—

Mr. Speaker: Order. The hon. member knows that he has to ask a question, and that he cannot make a statement.

Mr. Herridge: Very well, Mr. Speaker—that many a worker's hearing is permanently damaged by noise, would the hon. lady inform the house whether any research is being undertaken in Canada at the present time into damage done to the human body by noise?

INQUIRY OF THE MINISTRY

On the orders of the day:

Mr. G. L. Chatterton (Esquimalt-Saanich): My question is for the Minister of National Defence. In view of the general adverse reaction among the cadets at the tri-service college at Royal Roads toward the proposed green uniform, will the minister now abandon this idea?

An hon. Member: Close the college.

AGRICULTURE

EGGS—INQUIRY AS TO GOVERNMENT ACTION RESPECTING IMPORTS

On the orders of the day:

Mr. E. Nasserden (Rosthern): I have a question for the Minister of Trade and Commerce. In view of the marked increase in the import of eggs from other countries to Canada is the minister contemplating any inquiry into the situation?

Hon. Robert Winters (Minister of Trade and Commerce): I presume the hon. member is referring to the statistics shown in a return made a day or two ago which reflected a substantial net import of eggs into Canada. I was surprised at that, myself; I thought Canada was self-sufficient in this regard. I find that this is generally the case, but there were seasonal and other reasons for extraordinarily large imports last year. However, in relation to the total consumption of eggs in Canada the number imported was relatively small.

Mr. Nasserden: Does the minister not think that a 250 per cent increase is worthy of consideration?

Mr. Speaker: Order; the question is argumentative.

FLOODS

FRASER RIVER—REQUEST FOR STATEMENT ON POTENTIAL DANGER

On the orders of the day:

Mr. Barry Mather (New Westminster): Mr. Speaker, I wish to direct a question to the Minister of Energy, Mines and Resources. Has the minister received a recent report on the current flood potential of the lower Fraser river in British Columbia, and is he satisfied with the standards of the diking arrangements in that area?

Hon. Jean-Luc Pepin (Minister of Energy, Mines and Resources): Mr. Speaker, snow survey reports in the first part of this month indicate heavy snow conditions in the Fraser river basin. Whether or not this may result in high floods on the river in June will depend on the weather conditions which are experienced prior to that time. High snow supplies have been known to dissipate without causing damaging flood conditions. On the other hand, a low snow supply under certain conditions can result in serious flooding. At the moment I am told by my experts that it is too early to forecast the degree of flooding which may be experienced in the area in the early summer of 1967.

With respect to the second part of the question regarding diking conditions, I shall take it as notice and get further technical advice.

NATIONAL DEFENCE

INQUIRY AS TO CHANGE IN FORM OF ESTIMATES

On the orders of the day:

Mr. A. D. Hales (Wellington South): Mr. Speaker, may I direct a question to the Minister of National Defence, based on a ruling Your Honour made earlier this day. Is it the intention of the minister to resubmit his estimates in their former or traditional form, and not on the assumption of unification?

Hon. Paul Hellyer (Minister of National Defence): Mr. Speaker, as I indicated yesterday the form of the estimates is a reflection of the integrated commands which were authorized subsequent to the law passed by parliament in 1964. Particularly in view of the demand which has been made on the other side of the house during the last few weeks, that more precise information be given as to the roles and the missions of the Canadian Armed Forces, I would think that presenting the details of the estimates in a form which would give an accurate reflection of the expenditures being made for the various roles and missions would be welcomed by members on the other side of the house.

Mr. Diefenbaker: A completely false answer.

Mr. Hales: As a supplementary question, would the minister not then consider putting them forward in a manner that would enable us to compare them with former estimates of his department?

[*Translation*]

AGRICULTURE

QUEBEC—REQUEST FOR INCREASE IN MILK PRICE

On the orders of the day:

Mr. Florian Côté (Nicolet-Yamaska): Mr. Speaker, I should like to put a question to the Minister of Agriculture. Has he received a request from the Catholic Farmers Union and some members of parliament to increase the price of milk to $5.10 per hundredweight —which price I find quite logical—and, if so, what action does the government intend to take?

Inquiries of the Ministry

Mr. Speaker: The very important question put by the hon. member has been asked several times in the last few days and the minister answered it.

[*English*]

LABOUR RELATIONS

STATUS OF DISPUTE BETWEEN UPI AND WIRE SERVICE GUILD

On the orders of the day:

Right Hon. J. G. Diefenbaker (Leader of the Opposition): This question concerns a matter which should be given immediate consideration. As the Minister of Labour is not here, I direct it to the Acting Prime Minister. The Canadian Wire Service Guild has stated it will strike the United Press International of Canada on March 16 unless a collective agreement is reached. The government having been asked to conciliate in the dispute, so as to prevent a serious shut-down in essential services, will the Acting Prime Minister give immediate attention to the appointment of a conciliation officer so that this strike may not take place tomorrow? Such a strike could only be to the detriment of Canada.

Hon. Paul Martin (Acting Prime Minister): I will have this matter looked into at once.

[*Later:*]

Mr. Speaker, the Prime Minister asked a question a few moments ago—

Some hon. Members: Oh, oh.

Some hon. Members: Hear, hear.

Mr. Winkler: What can you say to that one?

Mr. Martin (Essex East): I am asked what I could say. I will say what I could say to people who are on a dying ship, that surely this is the least I could do or say. However, before dealing with what I was going to say I should like to welcome back to this house, on behalf of all of us, the hon. member for Danforth (Mr. Scott) who has been ill for some time.

Some hon. Members: Hear, hear.

Mr. Martin (Essex East): I am now going to ask the parliamentary secretary to the Minister of Labour if he would be kind enough to reply to the question with regard to the imminent strike situation.

Mr. B. S. Mackasey (Parliamentary Secretary to Minister of Labour): Mr. Speaker,

[Mr. Côté (Nicolet-Yamaska).]

a question was asked a few days ago, I think by the hon. member for New Westminster, and now by the Leader of the Opposition, about the possibility of appointing a conciliation officer to intervene in the proposed strike. I might point out to the Leader of the Opposition that a conciliation officer was appointed 13 months ago, and from there the matter went to a conciliation board last March. The conciliation board made a report last fall recommending only that negotiations continue. Obviously negotiations have failed to produce results, and the guild are only carrying out their legal right to strike.

Mr. Diefenbaker: So there will be no mistake about this, Mr. Speaker, the wire was sent at 2.05 today and received by me in the house. It states that the situation requires conciliation on the part of the government, and no statement such as the parliamentary secretary has given in any way meets the situation. It is just a case of procrastination in this matter.

Mr. Speaker: Order. The question period has expired, but perhaps the house would allow the hon. member for Danforth a question.

Mr. Reid Scott (Danforth): Mr. Speaker, I do not wish to ask a question but perhaps you would permit me, on the point of kindness raised by the Acting Prime Minister, to say to my colleagues in all parts of the house how very good it is to be back and how very much I appreciated their inquiries, their kindness and their consideration while I was away.

It has been a very interesting experience to watch our parliament from afar for three months. The one thing it has convinced me of, Mr. Speaker, is that irrespective of the things that seem to divide us at times, the sort of common belief we have in the value of this institution and in the years of tradition for which it stands vastly transcends in importance the policies, programs and personalities that from time to time divide us. It is good to be back.

Some hon. Members: Hear, hear.

Mr. Speaker: Orders of the day.

HOUSE OF COMMONS

REQUEST FOR ACCURATE ANSWERS TO QUESTIONS ASKED

On the orders of the day:

Mr. Jack McIntosh (Swift Current-Maple Creek): Mr. Speaker, I was going to ask

another question of the Acting Prime Minister, but seeing you have called orders of the day I rise on a point of privilege.

Mr. Speaker: Perhaps it might be easier if the house agreed to let the hon. member ask his question.

Some hon. Members: Agreed.

Mr. McIntosh: Would the Acting Prime Minister use his good offices to see that we get accurate, and not misleading, replies to our questions such as that given to me this afternoon by the Minister of Veterans Affairs. His reply was that he had answered my question yesterday. I have looked at *Hansard* and I find he made no answer yesterday. In other words his answer to us is nothing. I think we have a right to expect more from the government front benches in the way of answers to our questions than that reply given by the Minister of Veterans Affairs.

Mr. Speaker: Order, please. Orders of the day.

Hon. Roger Teillet (Minister of Veterans Affairs): Mr. Speaker—

Mr. Speaker: Order, please. I wonder whether there is any point in pursuing the matter. What the hon. member has expressed was not a question of privilege. Perhaps the minister wants to rise on a question of privilege and pursue the matter, and I would recognize him on that basis.

Mr. Teillet: This is certainly a matter of privilege, Mr. Speaker. I did say that I replied yesterday, and I am sorry for that; but if the hon. member will look at page 13896 of *Hansard* he will see I replied then. That was on Monday afternoon, the day before yesterday.

Mr. Speaker: Orders of the day.

• (3:30 p.m.)

BANK OF CANADA ACT

AMENDMENTS RESPECTING DIRECTION OF MONETARY POLICY, CASH RESERVES, ETC.

The house resumed from Tuesday, March 14, consideration in committee of Bill C-190, to amend the Bank of Canada Act—Mr. Sharp—Mr. Batten in the chair.

The Chairman: When the committee rose yesterday clause 11 had been allowed to stand while the other clauses of the bill had been agreed to.

On clause 11.

[*Translation*]

Mr. Latulippe: Mr. Chairman, I informed the house yesterday that we would have something more to say, particularly with regard to clause 11 of Bill No. C-190. This concerns the financing of municipalities, school boards and various public organizations under the control of or controlled by the Bank of Canada; this is the subject I should like to deal with briefly while introducing an amendment to clause 11.

Mr. Chairman, the bank should act as the financial agent of the Canadian government free of charge, and it should also act as banker or financial agent of the provincial governments and municipal corporations with regard to all aspects of the issue of long-term bonds to finance public buildings and various public works.

The aim of this amendment is to put the Bank of Canada in charge of financing provincial and municipal assets; to take public and social financing away from private sources; to give chartered banks complete economic freedom in the private sector, that is, with regard to individuals, families and private enterprise; above all to stop our provincial and municipal bonds from being financed by foreign countries, which is the main cause of the deficits in our international balance, mostly on account of the unnecessary interest rates which must be paid to foreign countries in addition to the money borrowed in long-term share capital; finally, the amendment aims to abolish unnecessary interest charged on the financing of the assets of our society, at all these different levels.

The provinces and the municipalities, Mr. Chairman, are actually extensions of the federal government in the administration of the nation and in the whole economic life of the Canadian people.

Provinces and municipalities are institutions as important in fact as the federal government, but at a divisional administrative level if you like, the same as the banking system which also has its operational unit at various administrative levels, as can be seen very clearly from the following outline I am going to give.

Mr. Chairman, there is a central bank and a central government; eight chartered banks—and we shall have more some time hence—and ten provincial governments; 5,700 bank branches and 4,000 municipal governments.

In my opinion, the importance of the municipal governments is thus emphasized, since there are 4,000 municipal governments right across Canada.

Since there are three banking administrative levels and, therefore, three taxation levels: federal, provincial and municipal, there are, of course, three levels of public financing: national, provincial and municipal. And, there too, the whole business must be controlled by one head, with a unified thinking, at the three administrative levels: federal, provincial and municipal.

If we do that, Mr. Chairman, we will eliminate all international financing for our provincial, municipal and private needs. Our financial system can and must meet all its financial and monetary needs, as our economic system can satisfy its production, its capitalization, its consumption, by the use of our natural resources, our manpower, our competent technicians and our graduate engineers, having had experience in the various levels of our economy.

If we do that, Mr. Chairman, we will no longer have international deficits, brought about by a surplus of wasteful interests paid to foreign countries on bonds which we have the duty and the power to create ourselves instead of leaving it to other countries, by offering for that purpose the same guarantees, that is our natural resources, our manpower and our capacity to pay taxes.

If we were to do this, our Canadian dollar would not fall to 92 cents but would remain stable at 100 cents on the dollar. We would no longer have to bear the shame and humiliation and the financial burden of a 7 or 8 per cent discount on our national currency outside our own country.

Now, Mr. Chairman, the Bank of Canada has a great role to play. If only our ministers and our representatives of the people had the courage to do this.

The only thing involved is a simple gesture. If we had in parliament a majority of members in favour of managing the country according to scientific and honest methods, in accordance with the facts, we could correct many a deficiency in our economic system and consequently, render an outstanding service to our population. Our economic system has many deficiencies. There is great uneasiness in the field of finance.

• (3:40 p.m.)

The main factor, in finance, is the Bank of Canada. That is as it should be, and it is under its aegis that the whole Canadian economy should be given an impetus, come to life and grow.

If the bank is mismanaged, if the flaws preventing the bank from performing its true function are not removed, if regulations found to be unsatisfactory, as far as the people are concerned, are not amended, we, as the representatives of the people, are remiss in our duty. In order to provide the necessary services to the people, all that need to be done is to pass the kind of amendment I am now suggesting, so that all public bodies may be given the necessary impetus to improve the Canadian economy and to finance school boards and municipalities without interest.

School boards, municipalities and all public bodies which would be financed by the Bank of Canada would pay their debts, this would give a certain amount of confidence to the nation, and the nation as a whole would benefit therefrom.

Thanks to that system, the Minister of Finance, the provinces, school boards or municipalities would no longer have to sell bonds to the people, draining the economic blood of the nation, in order to enable the citizens and private enterprise to develop.

Mr. Chairman, that is how private enterprise is kept from developing, for public enterprise does nothing but create debt and deprive private enterprise of the money it should have to grow and progress.

If the Bank of Canada were used to put in circulation the capital needed to finance all the public sector, there would be enough left in the chartered banks to finance private enterprise and then, there would be capital to develop our natural resources, to control our trade and industry and foreigners would no longer be allowed to control our credit.

It is about that same credit that the Minister of Finance is asked to do something. The real credit of the country must not benefit only the foreign countries which will invest capital in Canada. It must also be good for the Bank of Canada which will use the same guarantees to issue the credit needed, without interest, to finance part of the country's public assets.

Then, Mr. Chairman, new industries would spring up in Canada, the private sector would expand in all directions, new factory owners would appear, and new factories, the unemployment rate would fall, because the Canadian government would then take steps which would greatly help the Canadian people by enabling them to live, to grow, to prosper and to develop more in all fields as well as intellectually, physically and morally.

At the financial level, we could become Canadians again, we could again own our industries, our land and we could live like Canadians, as owners of our own home and not as indebted or evicted tenants, something that happens every day.

Not later than yesterday a Montreal newspaper reported that families were evicted because they could not afford to pay their rent and they were told: You are on your own, shift for yourselves.

Such things will practically never happen any more, because people will have enough to live on and develop. School boards and municipalities will no longer sell properties or seize personal assets in order to pay school and municipal taxes. This will not happen again. And municipalities and school boards will no longer have to pay four or five times the cost of their schools and municipal works.

The Bank of Canada would be repaid for the loans and advances granted, without interest, out of public funds, over a depreciation period or on the basis of 2, 3 or 5 per cent per year, until the debt is paid off.

After the new credits issued by the Bank of Canada have been repaid, they would no longer be in circulation.

So much for the argument about inflation put forward by everyone. Everybody tries to prove that what we are advocating would create inflation. On the contrary, it would bring about complete stability. Inflation or deflation would no longer exist. As a matter of fact, there would be even less inflation and surely no deflation. The problem would be solved.

It would therefore benefit the whole country and all the Canadian people, and the government which wants to remain in power would do so, because we would be the first to support it, to join it, to praise it and to say it has accomplished something worthwhile for the nation.

I have already said that we are not seeking power, but reforms. Now, by bringing in reforms, you will remain in power. We do not need power. We want reforms. But if you will not bring in the pressing social reforms we need, you will then have the advantage of always keeping us with you, because thousands of Canadian citizens have sworn to combat poverty and to denounce you and the system you favour, unless you bring about the desired changes. Now, I move my amendment.

The Chairman: It is moved by the hon. member for Compton-Frontenac:

That clause 11 of an act to amend the Bank of Canada Act be amended by adding at the end of subsection (1) of section 20 of the main act as enacted by the said clause 11, the following:

"and to act as a banker or as financial agent of the provincial governments and of municipal corporations in respect to long term bond issues for the purpose of financing public buildings and public works, the same without interest."

Some hon. Members: Question.

Mr. Sharp: Mr. Chairman, may I reply to this proposal by reading two short quotations from the report of the royal commission on banking and finance. The first is to be found at page 556, where the following appears:

However, the same section of the act enables the bank to act as banker or fiscal agent to the government of any province by agreement. While never used in practice, we believe it should be removed since the bank could not run an effective national monetary policy if it were to be continually under the obligation to put out new issues for the provinces, at least without conflicting with its fiscal responsibilities to its provincial clients. Adequate fiscal and banking advice is available elsewhere, and the embarrassment which would result from the central bank vetoing an unsound provincial financial program rises all too readily to the imagination.

• (3:50 p.m.)

The second quotation, which is more specifically on the point put forward in the amendment of the hon. member, is from page 71 of the report. It reads as follows:

We also received a proposal that the Bank of Canada should finance the social capital requirements of the provinces and municipalities either directly or through re-discount facilities, a proposal which would involve major changes in that institution's operating practices and have profound consequences on its ability to promote national objectives. Financing on the scale envisaged could only be supplied by the central bank if price stability were sacrificed, and even on a smaller scale would subject the central bank to intolerable pressures from eleven competing governments. For the latter reason also, we do not believe it necessary or desirable for the central bank to act as an underwriter to these governments, especially in view of the full facilities available in the private sector.

I do not think I need add anything more, Mr. Chairman. These reasons accord also with the reasons which the government had for amending the act, as appearing in clause 11.

The Chairman: Is the committee ready for the question?

Amendment (Mr. Latulippe) negatived: yeas, 8; nays, 71.

Mr. Olson: Mr. Chairman, I move that clause 11 be deleted completely. The only

change that it contains is a change to section 20 of the Bank Act which removes the possibility of the Bank of Canada acting as a banker or financial agent for the government of any province. It is our contention that the Bank of Canada already has partial authority under this portion of the act to do what we have advocated for a long time, that is to set up a municipal development bank which would be administered by the Bank of Canada, with the co-operation of the provincial governments. Of course we have not been very successful until now in convincing the Minister of Finance or any previous minister of finance to go ahead and make such provision in the operation of the Bank of Canada. However, in my view this amendment would remove one of the authorizations which would be required for the Bank of Canada to do this at some time in the future. Therefore, without going into detailed explanations of all the benefits which would flow from the establishment of a municipal development bank I will simply move that clause 11 be deleted.

Mr. Sharp: Mr. Chairman, to ensure that the attitude of the government is quite clear let me say that we believe it is not desirable to continue the present section in operation without amendment for the reasons that I have quoted from the royal commission report. I believe that the continuation of these powers to enable the Bank of Canada to act as the fiscal agent for the provinces is leading to misunderstanding and ambiguity and could at some time in the future interfere with the effective operation of our monetary policy.

The Chairman: The hon. member for Medicine Hat moved that clause 11 be deleted. If this amendment were carried it would have exactly the same effect as if the committee were to vote against the clause. I would therefore interpret the amendment moved by the hon. member for Medicine Hat as an expanded negative and as such I consider it to be out of order.

Mr. Olson: If it is out of order on that ground, Mr. Chairman, I will ask for a standing vote on clause 11.

Clause 11 agreed to: yeas, 66; nays, 7.

Title agreed to.

Bill reported.

Mr. Deputy Speaker: When shall the bill be read the third time?

Some hon. Members: By leave, now.

Mr. Scott (Danforth): At the next sitting of the house.

[Mr. Olson.]

• (4:00 p.m.)

Mr. Sharp moved the third reading of the bill.

Mr. Deputy Speaker: Is it the pleasure of the house to adopt the motion?

Mr. Olson: I should like to have it noted that this bill is read a third time on division.

Motion agreed to and bill read the third time and passed.

INCOME TAX AMENDMENT

INCORPORATION OF PROVISIONS ANALOGOUS TO THOSE IN CANADIAN VESSEL CONSTRUCTION ASSISTANCE ACT

Hon. Mitchell Sharp (Minister of Finance) moved the third reading of Bill No. C-259, to amend the Income Tax Act and to repeal the Canadian Vessel Construction Assistance Act.

Mr. Monteith: Could we have the yeas, and nays, Mr. Speaker?

Mr. Speaker: All those in favour of the motion will please say yea.

Some hon. Members: Yea.

Mr. Speaker: Contrary minded, please say nay.

Some hon. Members: Nay.

Mr. Speaker: In my opinion the yeas have it.

And more than five members having risen:

The house divided on the motion (Mr. Sharp) which was agreed to on the following division:

• (4:10 p.m.)

YEAS

Messrs:

Allard	Cantin
Allmand	Cashin
Andras	Choquette
Asselin (Richmond-Wolfe)	Chrétien
Badanai	Clermont
Barnett	Comtois
Basford	Côté (Dorchester)
Batten	Côté (Nicolet-Yamaska)
Beer	Deachman
Benson	Douglas
Berger	Drury
Blouin	Émard
Boulanger	Ethier
Brewin	Faulkner
Brown	Favreau
Byrne	Fawcett
Cadieux (Terrebonne)	Forest
Cameron (High Park)	Foy
Cameron (Nanaimo-Cowichan-The Islands)	Gauthier
	Gendron
	Gilbert

Godin
Gordon
Goyer
Gray
Greene
Guay
Habel
Haidasz
Harley
Hellyer
Herridge
Honey
Howard
Hymmen
Isabelle
Jamieson
Johnston
Klein
Knowles
Lachance
Laflamme
LaMarsh (Miss)
Lamontagne
Langlois (Chicoutimi)
Laprise
Laverdière
Lefebvre
Lessard
Lewis
Lind
Loiselle
Macaluso
MacDonald (Rosedale)
MacInnis (Mrs.) (Vancouver-Kingsway)
Mackasey
McIlraith
McNulty
Marchand
Martin (Essex East)
Mather
Matheson
Matte
Mongrain
Neveu
Olson
Orange
Orlikow
Otto
Patterson
Pelletier
Pennell
Pepin
Pickersgill
Pilon
Prittie
Prud'homme
Racine
Reid
Richard
Rideout (Mrs.)
Rochon
Rock
Roxburgh
Ryan
Saltsman
Schreyer
Scott (Danforth)
Sharp
Simard
Stanbury
Thomas (Maisonneuve-Rosemont)
Tolmie
Tremblay
Trudeau
Tucker
Wahn
Walker
Whelan
Winters
Yanakis—120.

NAYS

Messrs:

Alkenbrack
Baldwin
Beaulieu
Bell (Carleton)
Bigg
Brand
Cadieu (Meadow Lake)
Cantelon
Chatterton
Churchill
Clancy
Coates
Code
Crouse
Danforth
Diefenbaker
Dinsdale
Enns
Forbes
Forrestall
Grafftey
Gundlock
Hales
Harkness
Horner (Acadia)
Horner (The Battlefords)
Howe (Wellington-Huron)
Irvine
Jorgenson
Keays
Kennedy
Kindt
Korchinski
Lambert
MacDonald (Prince)
MacEwan
MacInnis (Cape Breton South)
MacLean (Queens)
Macquarrie
McCleave
McCutcheon
McIntosh
McKinley
McLelland
Madill
Mandziuk
Monteith
Moore
Muir (Lisgar)
Nasserden
Nugent
Ormiston
Pascoe
Pugh
Rapp
Rynard
Scott (Victoria (Ont.))
Simpson
Smallwood
Southam
Stefanson
Thomas (Middlesex West)
Wadds (Mrs.)
Watson (Assiniboia)
Webb
Winkler—66.

Division

• (4:40 p.m.)

Mr. Speaker: I declare the motion carried.

Mr. Fulton: Mr. Speaker, I was paired with the Minister of Labour. Had I voted I would have voted against the motion.

Mr. Stewart: Mr. Speaker, I was paired with the hon. member for Digby-Annapolis-Kings.

Mr. Fairweather: Mr. Speaker, I was paired with the hon. member for Charlotte.

Mr. Skoreyko: Mr. Speaker, I was paired with the hon. member for Victoria (B.C.). Had I voted I would have voted against the motion.

Mr. More: Mr. Speaker, I was paired.

Mr. Ballard: Mr. Speaker, I was paired. Had I voted I would have voted against the motion.

Motion agreed to and bill read the third time and passed.

BANK ACT

DECENNIAL REVISION AND EXTENSION OF CHARTERS

The house in committee on Bill No. C-222, respecting banks and banking—Mr. Sharp—Mr. Batten in the chair.

The Chairman: Order. This bill was reprinted as amended by the standing committee on finance, trade and economic affairs. I understand that the reprinted bill has been distributed to members of the committee.

On clause 2—*Definitions.*

Mr. Sharp: Mr. Chairman, we are now in what I hope are the final stages of the long legislative history of this bill to amend the Bank Act, a history which began when my colleague, the senior Minister without Portfolio, introduced a bill in the 1965 session, and perhaps the greatest compliment I can pay to him at this time is to say that the essential principles that he laid down in that bill have been retained.

Some hon. Members: Hear, hear.

Mr. Sharp: Mr. Chairman, I rise mainly for the purpose of congratulating the members of

the house committee on finance, trade and economic affairs for the thorough review they gave of the bill now before us, and I include in those congratulations all members of the committee. I had the pleasure of appearing before the committee on a number of occasions and I came to admire very greatly the considerable expertise that was developed by members of the committee on all sides during the long and thorough discussions they had on the provisions of the bill.

That committee made many headlines, something which is not customary for all committees of the house. Its members had before them some very notable citizens of the United States as well as of Canada, but I suggest the chief claim to fame of the committee is that it has produced many useful improvements to the bill, and at this time I would like to recognize what a great contribution the standing committee has made. It serves, I believe, as an example of the effective kind of work that can be done by parliamentary committees.

Mr. Monteith: Mr. Chairman, I join with the minister in congratulating the members of the standing committee who worked very diligently on this bill. The hon. member for Nanaimo-Cowichan-The Islands, myself, and possibly one other hon. member attended the 1954 sittings of the committee which I believe, at that time, was called the banking and commerce committee. I was a very new member of that committee and I am pleased to say I found its work very interesting, possibly because I knew something about the subject matter it was considering.

For some days we have been expecting this bill to come before us. Just a few moments ago the hon. member for Nanaimo-Cowichan-The Islands and I were talking outside in the lobby and we said that if we had to wait much longer for its appearance we did not know what might happen to it.

The minister has referred to the long legislative history of the bill. Today, March 15, 1967, we are approaching the final stage of our study of the amendments to the Bank Act. This study should have been completed in 1964. For some three years the banking community has been working under the handicap of uncertainty and I blame indecision and confusion by the government for the delay.

We have had to extend the existing act several times, and we are now approaching another deadline, April 1. All this underlines the weak leadership which the government has given the people of Canada.

[Mr. Sharp.]

• (4:50 p.m.)

Three separate events during the last few days have been causing worry and despair to Canadians generally. Let me first of all refer to the suggestion by the Organization for Economic Cooperation and Development that Canada take steps to control its rising wages and prices. We have all heard the warnings of the governor of the Bank of Canada, and seen these in his annual report. The editorial which appears in today's Montreal *Gazette* should be read by all members of the government.

The astronomical estimates of government spending for the fiscal year 1967-68 were tabled on Monday last, and they present cause for worry on the part of every Canadian. I do not intend to deal with those estimates at this time, because an opportunity to do so will present itself later, but I should like to emphasize that this government has no respect whatsoever for the taxpayer's dollar.

The committee on finance, trade and economic affairs commenced its study of Bill C-222 on October 25, 1966 and completed that study on February 28, 1967. It held some 79 meetings. Twenty seven briefs were presented and 57 representatives of some 30 organizations were heard. The minister appeared before the committee, at length, as well as the inspector general of banks and the governor of the Bank of Canada. Taking everything into consideration I think the meetings of this committee were worth while.

Some 71 amendments were proposed to Bills C-222 and C-223. The Minutes of Proceedings and Evidence of that committee make very interesting reading. The committee worked assiduously over long hours as a result of which the bill reported back to the house is an improvement over the bill referred to the committee.

There are still some shortcomings, one of which is the lack of the definition of "banking". The bill refers to banks as being those institutions listed in the schedule. This situation was discussed at great length with many witnesses, some of whom made certain suggestions. I must admit, however, that most witnesses did not feel competent to make a firm definition, although some of them did so. There were several members on that committee who are lawyers and I imagine that later in this debate they will have more to say about this lack of a definition of "banking".

Bill C-222 does adopt some recommendations of the Porter commission report but it does not adopt all of them. It has not adopted

the recommendations that near banks be brought under federal legislation. I believe this is a mistake. The minister indicated he was in agreement with the suggestion that, under certain conditions, agencies of foreign banks should be allowed to operate in Canada and, as he put it, he wanted time to study this aspect further. Perhaps that is another delaying action in respect of this very important matter relating to the operation of foreign banks in Canada. This important matter should not have been left up in the air as it is now.

Regardless of the evidence we heard to the effect that as long as a borrower agreed to an effective interest rate higher than 6 per cent, which is presently the ceiling in vogue, such an interest rate was legal, and in spite of the legal rulings we have heard, I have always had some doubt about the legality of charging an effective interest rate of more than 6 per cent, as has been the case in respect of consumer loans.

In 1954 the then Canadian Bank of Commerce was the only bank engaged in the consumer loans field. Representatives of that bank gave evidence to a committee at that time to the effect that it had received legal opinions which indicated the bank was within its rights to charge higher interest rates. At that time none of the other banks had seen fit to enter this field and, if my recollection is correct, they did not do so primarily because they felt it was illegal. Since then the act has not been changed, yet all of the banks are now operating in this field, making loans at an effective rate higher than the 6 per cent ceiling. I have had some personal doubt about the legality of this practice.

Regulations under the new act will stipulate that all charges in future must be shown as a percentage of the loan. I think the minister has agreed that these regulations should be studied by the committee before coming into force. I am in agreement with his suggestion that this is the proper thing to do.

At this time I do not intend to say anything concerning clause 75 of the bill in respect of the Mercantile Bank. There have been rumours and news stories concerning cabinet rifts and differences of opinion between the present and previous ministers of finance in this regard. I assume we will have to wait until we reach consideration of this clause to find out whether or not the present minister will make some further proposals.

It is not my intention to say very much about a higher interest ceiling or the removal of the ceiling. We will have ample opportunity to talk about that when we reach a consideration of the specific clauses. Let me point out at this time that the maximum of 6 per cent has become the minimum. I have some apprehension in this regard when I think of the possible increase in that ceiling. An increase from 6 per cent to 7¼ per cent will mean an increase of approximately 20 per cent. This will only result in a further stimulus to the high cost of living, about which this government has done so little. We will no doubt hear a great deal about this matter of interest rates before we conclude our consideration of Bill C-222.

• (5:00 p.m.)

There are many other aspects to this bill and I am sure other members will discuss them in a general way when we reach certain clauses. No doubt a more detailed study will be made. Let me simply say at this time that hon. members would be well advised to study the recommendations of the twenty second report of the committee. There is a paragraph concerning agencies, and another recommendation to the effect that the Canadian Bankers Association Act be amended to permit those financial institutions who presently have access to the clearing system only through the intermediary of a chartered bank to participate directly in the system on an equitable basis. Then there are three recommendations concerning I suppose you might say housekeeping items, supporting services in not only the standing committee on finance, trade and economic affairs but other standing committees. I believe that these recommendations should be given serious consideration.

I think that is all I wish to say at this moment, Mr. Chairman. I know the minister has been anxious to get at this committee of the whole house stage. We are now at it, and I am hoping that as we continue and question the minister on the clauses of the bill he will be in a position to give us, and will be happy to give us every possible explanation.

Mr. Cameron (Nanaimo-Cowichan-The Islands): Mr. Chairman, as the minister has said, this is, we hope, the tail end of a very long and arduous journey. At the outset, sir, I should like to make one comment which I think should be made. If, as the minister has said, this has been as unusually effective committee, I think it is in no small measure due to the capacity of the chairman, and I should like at this time to record my very deep

appreciation of the manner in which the hon. member for Essex West performed his functions as chairman.

Some hon. Members: Hear, hear.

Mr. Cameron (Nanaimo-Cowichan-The Islands): He performed them with, I may say, unending patience in circumstances which often would have tried the patience of a Job, with unfailing courtesy, and always in complete control of the proceedings and with a complete understanding of how far we had got. I think this house owes the hon. member quite a debt of gratitude for the long and arduous task which he undertook. There were 79 meetings on the Bank Act, and if you contemplate 79 two-hour meetings, Mr. Chairman, you can understand that it was quite an ordeal.

As the hon. member for Perth remarked, I think he and I are the only survivors—it makes us sound rather like relics—from the previous revision of the Bank Act, now 13 years ago. I have been impressed, not so much with the changes in banking technique, developments of monetary policy and monetary theory, as with the change of attitude on the part of the committee, and I think of the general public, toward banks. After all, there has been no essential change in the business of collecting people's savings and lending them out since the days when the Lombard goldsmiths discovered that only a few of the people whose gold they guarded came along on the same day, and they could lend the rest of it at usury.

The process is much the same today. We have perhaps instituted a more polite word for usury; we now use the word "interest", and governments instead of goldsmiths provide the basis upon which loans are made. But the business of money lending is much the same as it has always been. However, the attitude of the public toward money lending and money lenders has gone through a number of changes, and after being for a while considered a rather dubious class of people who performed their functions furtively in back alleys they suddenly blossomed out into being almost high priests installed in massive marble temples and conducting mysterious rites that were beyond the comprehension of the ordinary citizens.

It was thought that any prying into these mysterious rites was, of course, bound to bring down divine wrath on all. Even 12 years ago there were still traces of this attitude. I remember that it arose over the matter of the inner reserves, which everybody often referred to as hidden reserves at that time, increasing still more the air of mysterious sanctity over banking operations. This time I think the committee and the banking fraternity almost took the matter in their stride. There were some squeaks of annoyance from the bankers that they would now have to reveal the amounts of their inner reserves to the whole world rather than to the private ear of the minister. It became evident that the real change was not in respect of any fear of the stability of the banks in the mind of the public, but that this system might reveal some slips in judgment on the part of those who look after the affairs of the banks; they did not like to have these revealed to their opposite numbers in the banks. In fact, as one bank official told me, it was a case that he did not want his mistakes to be made public. I suggested to him that we were not there in order to legislate to protect his vanity.

However, they took it in their stride, and it may be that the banks today recognize that the decline in the religious field, about which there is so much lamentation, has extended almost to their sacred mysteries too. It may also be as a result of the change in the economy, and technology, that we now have changed our attitude toward our banking institutions from regarding them as a sort of sacred mystery to being merely a piece of economic machinery; a complex one, but one which can be understood if one wants to lend his mind to it. I think this was the approach of the committee this year.

Our approach was, how well do the banks perform their functions? We were not particularly concerned this time with the question of whether the banks were safe and stable. No one had any doubts about that. We were not particularly concerned with the prices they charged for their services. Most of us have the conviction that they charge too much and should be clipped back, if we can do so. We were more concerned about finding out whether they were efficiently performing their functions. One of the witnesses, a former bank official, advised the committee not to waste its time trying to decide whether the banks were good guys or bad guys, but to remember that they were merely good businessmen out to earn a dollar and we should concern ourselves with whether or not they were performing their functions effectively.

I think it is fair to say that any doubts left in the minds of the committee about banks were perhaps some doubts as to whether they are imaginative and enterprising enough in

performing their functions, whether they discriminate and play favourites between customers. There was no way of tracking this down, and there can be no way of tracking it down. One witness who came before us to make a pitch for a foreign bank suggested that the foreign bank should be here because we really required in our banking system the modern and up to date expertise of American banks. I had a little entertainment with that witness. I brought him to the point twice of virtually saying that our local banking community was incompetent and not equipped to handle Canada's growing role in the world. Of course he hastily retreated from that position when I brought it to his attention, but not before he had caused a certain fluttering among the audience, which was composed largely of bankers at that time.

The consideration of the committee was, is it an efficient institution in our society, is it enterprising enough, is it imaginative enough, is it behaving in a non-discriminatory manner? The other matters of concern were questions of the charges, and there was a great deal of thought in connection with the removal of the 6 per cent ceiling. I must say that I myself went through a whole process of thinking on this question and had to change many of my positions in light of further thinking, further reading and further evidence.

• (5:10 p.m.)

I came to the conclusion that there was not too much to be said for the maintenance of the 6 per cent ceiling because it could be evaded so easily and because there seemed to be a fair amount of evidence, to the extent that it was not evaded, that the 6 per cent ceiling was giving rise to the growth of near banks and various financial institutions which have been causing cold shivers to run up and down our national spine, for some time.

The government, the minister, and I think most of the committee members except myself and my colleague, felt that we could rely on competition to prevent the banks from making exorbitant charges when the ceiling was taken off. Competition is all well and good but I have some doubts as to whether we will achieve effective competition by the incorporation of more private banks, because I have a lurking suspicion that once a private bank gets into operation it will become very quickly part of the club and part of the establishment and the element of competition will be very severely reduced. This was my reason for making a proposal to the minister in the committee which I felt would solve two problems for him.

I proposed to the minister that in order to solve the vexing question of the Mercantile Bank and its effect on our relations with the United States, the government of Canada should consider buying out the interests of the First National City Bank of New York in that bank. This would solve that problem and also the problem of some countervailing force to control the operations of the private and chartered banks when they are relieved of the 6 per cent ceiling.

When I announced this idea to the minister I stressed the fact—and I think he took my word for this—that I was not advancing this from a purely doctrinaire position but that it was a very practical point of view and a practical solution to two problems. I think the minister accepted it seriously on that basis and I have no complaints on that score. However, when he rejected the idea, he did so not on any consideration of the practical aspects of the suggestion but purely, as I told him at the time, from a doctrinaire position of laissez-faire, on the grounds that this government does not believe in a publicly owned bank. There were no practical considerations.

I submit that this is a decision based on religious faith rather than on earthy, practical considerations, and of course it is very hard to deal with decisions that are based on religious faith. One has to be very careful about that. However, it seemed to me that that is what it was. My ideas on this score were confirmed when I saw in the bill that is now before us one clause, which I hope to amend before we get through, which led me to think that the minister decided that not only did this government not approve of a publicly owned bank but he wanted to make quite sure that none of his successors would go chasing after false gods. So he has inserted in the bill a clause which will prohibit the government of Canada from investing in a bank. As I said, I am hoping to get that decision reversed by the committee before we get through.

The idea that I have been presenting is not a particularly revolutionary one. I do not think most of us would consider that our Commonwealth cousins in Australia and New Zealand are of a particularly wild and revolutionary temperament, and I am quite sure that President de Gaulle of France would resent it very much if anyone suggested he was presiding over a communist state because the four largest banks in France are publicly owned.

Mr. Sharp: Mr. Chairman, may I ask the hon. gentleman a question? I am wondering whether he is joining his colleague from Kootenay West in supporting the views of the members of the Social Credit party about the expansion of money through the ownership of a government bank?

Mr. Cameron (Nanaimo-Cowichan-The Islands): No, Mr. Chairman, I am not doing so at all because I do not suffer from this other form of doctrinairianism which is only slightly to be distinguished from that of the minister. Both are equally unreasoning, equally based on religious faith and equally lacking in any logical foundation. I am attempting to base my views on logical considerations, and I would like to deal with the banking system of Australia in this connection. We should be quite interested in it because the Commonwealth Bank of Australia was established by a Canadian, a rather curious character called King O'Malley who emigrated from the eastern townships at the turn of the century and persuaded his colleagues in the labour party of Australia to establish the Commonwealth Bank. At first it was established as a Canadian bank, and later, with the rise of the idea of central banking, it was constituted as a central bank.

Later a new central bank was set up and the Commonwealth Bank became a tripartite organization with three component parts. I might say that it is interesting that in Australia they have the same number of banks that we have, that is eight banks; seven of them are privately owned and one is the government Commonwealth Bank. Curiously enough the first one was established in 1817, the same year in which our oldest bank was established as we were repeatedly informed during the committee hearings—an odd piece of history that I myself thought a little bit irrelevant. As I was saying to one of my colleagues, the older I get the less virtue and value I find in old age, either biologically or in institutions. However, that is by the way.

The Commonwealth Bank was set up with three component parts: one is the Commonwealth Trading Bank—and a trading bank in Australian parlance is the same as one of our commercial banks—the Commonwealth Savings Bank, and the Commonwealth Development Bank.

I should like to quote from a recent publication by W. F. Crick, published by the Oxford Press in 1965. The author has this to say regarding the role played by the savings banks of Australia:

> Within the banking structure the growth of savings banking has assumed greatly enhanced importance in the past decade and cannot be ignored in any consideration either of competition within the financial system or of monetary policy. Savings banking in Australia grew up independently of the commercial banks, and apart from two small trustee savings banks in Tasmania it was until recently in the hands of three government organs. The largest is the Commonwealth Savings Bank, which is one of the three functional banks making up the Commonwealth Banking Corporation. Originally the Commonwealth Savings Bank Department of the Commonwealth Bank of Australia—

This savings bank has been playing a very important part in the provision of funds for a particular field of the economy which is being referred to continually in this house—it came up today in the house—namely the question of housing. The Commonwealth Savings Bank in Australia provides a very large part of the funds that are devoted to the development of housing in Australia. Mr. Crick goes on to say the following, and this will I am sure cheer the hearts of all my good free enterprise colleagues in the House of Commons:

> The new invigorating element in savings banking was introduced in January 1956, when two of the major trading banks began to operate savings banks as wholly-owned subsidiary enterprises. Since that date when those banks were granted licences under the Banking Act, all the major trading banks have entered the field in a similar manner, and the Rural and Industries Bank of Western Australia, a state bank, has opened a savings bank division. This move on the part of the commercial banking interests may seem surprising in view of their previous neglect of providing small savings facilities similar to those in other countries. It was finally inspired by, more than anything else, the competition they faced from the rapidly growing Commonwealth Trading Bank. While this is not the sole reason for that bank's expansion, it undoubtedly derived benefit in its operating costs and in competing for general banking business from sharing the use of branches and staff with the Commonwealth Savings Bank and operating commercial and savings business side by side.

I might say that right up to the present day over 50 per cent of the total personal savings of Australians are lodged in the Commonwealth Savings Bank, providing a very large reservoir of funds for such things as housing in that country.

• (5:20 p.m.)

Now, even when they had entered the privately owned banking field, the Commonwealth Savings Bank, as I have said, continued to play a decisive role. In another book entitled, "The Australian Capital Market",

published in 1964, the author Mr. R. H. Wallace, senior lecturer in economics at the University of Adelaide has this to say:

> Up to 1956 the Commonwealth Savings Bank played such a dominating role in the industry that by adjusting its policy it could offset any undesired changes by the other banks. The central bank used the Commonwealth Savings Bank as an instrument for its over-all policy. It continued to conduct its over-all open market operations partly through the Commonwealth Savings Bank, but with its own greatly expanded power and experience it did not need to rely on manipulation of the Commonwealth Savings Bank to control the liquidity of the trading banks.

Later, the author has this to say:

> A most important change is the reduction in the share of the business of the Commonwealth Savings Bank. Prior to 1956, savings banking in three of the six states was the savings banking of the Commonwealth Savings Bank. Its over-all size was so great that changes in its investment policy which were marginal to its own scale of activity were sufficient to significantly influence the whole group. Today the absolute magnitude of the possible changes in the investments of the other banks is so much greater, and the relative size of the share of the Commonwealth Savings Bank so reduced, that these offsetting activities will no longer be marginal to its own activities. Further the Commonwealth Savings Bank is now operating in a highly competitive situation—
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> The expansion of the housing loans of the Commonwealth Savings Bank since then indicates that its policy is still largely determined by the treasury and reserve bank, and that the directive to the board in the Commonwealth Banks Act of 1959 to direct the policy of the corporation "to the greatest advantage of the people of Australia" is not an empty phrase. So long as the reserve bank will assist it by bond purchases, the Commonwealth Savings Bank can still expand its lending for housing and to public authorities as the need arises

Now, Mr. Chairman, it was just such a wide ranging banking complex that I had in mind when I suggested to the minister that he should make a start by taking over the Mercantile Bank and solving a potentially very difficult international situation. The necessity for such a wide ranging and decisive publicly owned sector of the banking system will, I think, become more and more clear as the years go by. As the hon. member for Perth remarked earlier, one of the great concerns before the committee was this question of the near banks and how they were to be controlled.

There were various suggestions. There was a suggestion that the definition of a bank might automatically bring them under the Bank Act. I, myself, inclined to that idea for a while, until I explored its ramifications and found it was somewhat impractical and could be quite dangerous. There were other suggestions of course. The government did take a rather slight, I might say feeble, step when it introduced the deposit insurance legislation, with the unfortunate feature of leaving it in the hands of provincial governments to decide whether provincial institutions shall come under federal control.

However, in listening to the evidence of the banking witnesses, and in private conversations with bankers who attended the hearings, I came to the conclusion this problem of bringing the near bank under federal control is likely to be solved by a totally different route, a route that will not land us in the constitutional impasse in which we might be landed by relying on the definition of a bank, a route that will avoid the many pitfalls that lie ahead in nearly every one of the suggestions for bringing them under control. I came to the conclusion that we are on the verge of seeing a vastly expanded banking system in Canada. When I say "vastly expanded", I mean that I can see signs already that the banks are going to move into many of the fields that are now occupied by the so-called near bank and the various financial institutions that have been causing so much concern.

I, myself, suggested to the chief witness for the Canadian Bankers Association, Mr. Paton, that it seemed to me we could look forward to a sort of department store operation by the chartered bank whereby a customer could take his choice of a personal loan, a business loan, a mortgage or what have you. The development of such institutions as RayNat and Kinross clearly indicates that that process is already under way. I am not inclined to quarrel with that development. Despite the fact that I lack faith in the philanthropy of the chartered banks, nevertheless I would feel much easier in my mind if such institutions had control of the financial system of Canada than I would contemplating such control in the hands of Atlantic, and all the various ones which in the last few days have been mentioned in the press.

While there are desirable features in this development there are, as I have suggested, undesirable ones as well in that there would be a further concentration of power and that concentration of power could only be avoided by the development of a publicly owned sector of the banking industry such as I have described. I repeat, perhaps ad nauseam, that we have plenty of precedents for this throughout the world. I do not believe we have any particular choice in this matter. I believe this development is going to take place whether we like it or not. I am quite

sure, from the attitude of bankers in private conversations, that this is their intention. Indeed, some of the academic professional witnesses we had before the committee suggested somewhat that sort of development. One witness suggested a sort of interim period in which we would have two types of banking licence, or whatever you want to call it, which would at the end of ten years be replaced by an over-all licence under federal legislation which would bring virtually all these institutions under the federal umbrella. Then all these institutions would be performing the same function.

However, Mr. Chairman, if, as I am afraid, the minister and his colleagues are too sunk in their doctrinaire vastness, if their firm religious beliefs which equate private enterprise with virtue and public enterprise with sin are so strong they cannot move from this position, then I think inadequate as it may be, we must insist on maintaining the effective 7¼ per cent which would have been the result of the original proposal of the minister. It would be a temporary dike.

Mr. Sharp: Mr. Chairman, I could not help rising to ask the hon. gentleman whether he does not agree, in view of the record of this government in the field of public enterprise, that we are full of sin?

Mr. Lewis: You are, but that is not the reason.

Mr. Cameron (Nanaimo-Cowichan-The Islands): As my colleague suggests, only when they were seduced. At any rate, Mr. Minister, I do not set myself up as an infallible judge of sin or virtue. I leave that to those with religious convictions.

As I say, the 7¼ per cent ceiling would provide a temporary dike of some sort, although it would have holes punched in it very rapidly. I doubt if the minister has enough little Dutch boys at his disposal to poke fingers in all the holes. To those who fear, I think with some justification, that when the banks are let loose from their ceiling they may behave in something less than the most desirable social manner. I would very seriously commend this proposal of mine that we should establish a countervailing power in the centre of our financial institutions in the form of a government owned complex.

Now, Mr. Chairman, this brings me to one more item which I had to leave, as it were, blank, realizing that I was going to have to play it by ear. That item is the vexed question of the Mercantile Bank. I had rather hoped that the minister would make some reference to it when he made his statement, if only to allay various rumours we have had about trouble and strife along the cabinet Tiber. No one seems to know exactly what the situation is.

• (5:30 p.m.)

Mr. Sharp: Don't believe all you hear.

Mr. Cameron (Nanaimo-Cowichan-The Islands): I have to believe sometimes what a cabinet minister tells me; and when a cabinet minister tells me that he is opposed to what the committee did I have to ask myself questions. I have to ask myself how much weight this particular cabinet minister pulls. I do not know the answer to that question and I am wondering what it is.

I do know that this particular cabinet minister was very much opposed to the amendment that was moved by the hon. member for Verdun, and seconded by myself with great relish because I realized that it had several consequences; and I am a politician as well as a student of the monetary system. I should like to know very much what is the attitude of the government and those within the Liberal party who opposed this extension of five years in order to allow the Mercantile Bank to place itself in the position where it could conform with the demands of the Canadian government and the Canadian parliament. I think it is important that we know what is their position.

To my mind, Mr. Chairman, there were two courses open to us. One was the eminently practical and sensible course that I proposed to the minister and which he rejected out of hand, as I say on purely doctrinaire grounds. The other course was to amend the bill as originally presented by the government, so that the strait-jacket in which we placed this institution could be expanded or broken in order that it could place itself in the position where it could divest itself of the necessary 75 per cent of its shares.

What shocked me, Mr. Chairman, was that originally and up until quite recently some members of the government appeared to be content with the irresponsible position of leaving this bank as a festering sore in our relationship with the United States, without taking any steps to solve the problem. That is a very serious thing for the people of Canada to contemplate—that we have in the ranks of the government people who would be prepared to leave this problem unsolved, a source of continual friction with our United

States neighbours and an invitation to apply more and more dangerous pressures.

I should like to know whether the Minister of Finance has succeeded in convincing all of his colleagues that because he, and presumably they, must reject common sense on religious grounds they are now prepared to make it possible for the First National City Bank of New York to dispose of 75 per cent of its shares.

I told Mr. Rockefeller when he was here that I thought he had been very foolish to bring forward his particular case to that committee. I said that he might have been wiser to have based his position on a reasoned argument to refute the argument that a foreign bank would be dangerous in the Canadian economy. I told him at that time that I had had some difficulty in advancing a reasoned, logical economic argument in opposition to his.

However, we do not always have to rely purely on reasoned, economic logic. I later received some information on the operations of this gentleman's associates in other countries and I decided that whatever one's overall principles on the matter might be, this was a gentleman that we did not want in our economy. Perhaps he was too much of a chip off the old block. In fact, almost any minute I was expecting him to plunk down in the committee and hand out some shiny new dimes.

The Acting Chairman (Mr. Asselin, Richmond-Wolfe): Order. I regret I must inform the hon. member that his time has expired.

Some hon. Members: Carry on.

The Acting Chairman (Mr. Asselin, Richmond-Wolfe): Does the committee give unanimous consent to permit the hon. member to continue?

Some hon. Members: Agreed.

Mr. Cameron (Nanaimo-Cowichan-The Islands): I have finished, Mr. Chairman. I have stated my position to the minister and tried to explain to him the weakness of his own position. I now seriously ask him to bear in mind what I have said as to the possibility of a publicly owned banking complex at the end of the five-year period. But I am very much afraid that Mr. Rockefeller will play a game of Russian roulette and at the end of the period will say "Too bad, I have not been able to sell my shares and you could not ask me to retract now". The minister may then have no recourse but to do rather expensively what he should be able to do now rather inexpensively.

[*Translation*]

Mr. Latulippe: I am pleased to rise again to speak on this question and have a new opportunity to deal with the present economic and banking system that we now have.

As far as I could, I attended almost all the sittings of the committee and I was as regular as I could. I know that the committee worked very hard; it did all it could to improve the economic and banking situation that we now know. But after all these sittings and after all the work that has been done, I consider that we are giving many more advantages to the banking and financial institutions than they had previously.

Such institutions already benefited from great advantages and great privileges and these are increased. I am not opposed to some citizens having great privileges, but I am sorry that some people are without any privileges at all or that they are deprived of their privileges to give them to those who already have many.

We should realize that our people have the right to live, that some are entitled to receive dividends, to have hidden reserves, or internal reserves of indiscreet reserves, call them as you will. There are other institutions which would also be entitled to various types of reserves, if we are to be equitable, if justice is to reign in the whole economic organization.

Almost all the advantages are being given to the large financial institutions in the country to the detriment of other institutions also entitled to the same advantages. We fight, we try not to give them any more advantages, but efforts are made to increase the privileges already enjoyed by the largest institutions.

Every time the wages of toil are increased, Mr. Chairman, every time the income from capital is increased, every time the overall cost of living is increased, the economic position of the people without income is weakened, as is that of the responsible citizens.

• (5:40 p.m.)

Mr. Chairman, in order to appreciate how very important that warning is, it must be kept in mind that today, in 1966, Canada's population has reached 20,400,000 inhabitants, that over 7,400,000 citizens derive their income from their labour and their capital and that 12,600,000 Canadians have no income either through their labour or their capital,

being dependent upon individuals or society in general.

Therefore, whenever the cost of living rises due to all those increases in salaries, labour or interests on capital, the situation of those 12,600,000 dependent citizens without any income derived from capital or labour deteriorates accordingly.

Perhaps at this stage I could give as an example children under 16 whose parents receive monthly family allowances of $6 and $8; that rate has not changed since 1944 and is no longer significant, being out of proportion with the cost of living in 1966.

The following table will prove my point. For instance, the gross national product which stood at $11,400 million in 1944-45, has reached $56 billion in 1966.

I also wish to point out to the minister that capital investments which totalled $1,280 million in 1944-45, have reached $18 billion in 1966.

I want to remind the house that bank assets have increased from $6 billion in 1944 to $26,500 million in 1966.

On the other hand, during the same period, the share capital of 800 large companies increased from $7 billion in 1944-45 to $102 billion in 1966; and cheques issued, from $60 billion in 1944-45 to $520 billion in 1966.

The M.P.'s indemnity was $4,000 in 1944-45; in 1966, it was $18,000.

In 1944-45, old age pensions were $20 a month while they are now $105.

As for family allowances, just a word about them in passing, they went from zero to $10 a month.

Though every item was multiplied by four, or eight or more, family allowances for children under 10 and under 16 remained the same at $6 and $8 a month; that is the 1944 rate, and the people are now living in 1966.

This restatement of the situation constitutes a warning. Why continue to favour wage increases for the workers or higher interest and dividend rates for the capitalists and bankers, when it is always detrimental to the humble and courageous citizens, the fathers and mothers of families who accept, in spite of an unbearable economic situation to nurse the next generation of adults, of producers to whom the Canada of tomorrow will owe its survival and prosperity.

At the present time, Mr. Chairman, the government is placed before two acute and striking basic cases where it is called upon to use its authority to make a decisive choice,

[Mr. Latulippe.]

which it should have done long ago and can no longer be delayed, there being no reasonable cause or pretext to do so.

The Canadian government is the highest authority in the land, governing institutions, public bodies, pressure groups, intermediate bodies, the eight chartered banks, the 800 largest companies which speculate and make net profits of millions of dollars each year.

One Bank of Canada, eight chartered banks, 800 big companies under the direction of one or more directors of the eight chartered banks. Such is the world of high finance, the high economic management of Canada, which is the field of activities of Canada's great administrators.

Such are the agencies which are protected by Canada. The vote which just took place was in favour of these big institutions, and in other words against the people, which will again have to be content with their crumbs. But the people certainly have a right to their share. Unfortunately, however, those who speak for Canada here are much more representative of high finance than of the population of Canada.

Either these people are responsible or they are not. Either they rule and plan the whole economic activity of Canada, or they are not concerned with it. The fact still remains that they are under the authority of the hon. Minister of Finance and Receiver General of Canada (Mr. Sharp), and under the authority of the governor general in council, that is, the governor general and all the 26 ministers. That is the highest authority in Canada, and those are the people to whom we should turn to ask for administrative reform and urgently needed changes. The highest authority in the land cannot remain anonymous and irresponsible for whole decades.

This government, this highest authority, this governor general in council is soon to allow fairly important increases in the revenue from work and capital. The 6 per cent ceiling on the interest rates on loans made by the eight chartered banks is to be abolished.

Even if the governor in council and his 26 ministers want to hide behind the joint committees, the royal commissions or the economic councils in order to preserve the established and so-called democratic customs, the highest authority in Canada must still choose immediately between continuing to govern the country in the old-fashioned way and courageously instituting a new system which the people are waiting for and requesting patiently, confidently and with perseverance.

Before raising interest rates and wages, it is necessay to adjust the purchasing power so that every dependent citizen who has no revenue either from work or from investments may be assured of the necessities of life.

Before allowing any increase in investment income or in salaries, our government must first adjust family allowances and all the other personal allowances of the Canadian people. Those who have no income, either from their capital or from their work, also have a right to live and to a measure of security.

When the Bank of Canada was created in 1934, chartered banks lost the privilege they had to print their own bank-notes. In fact, they had to withdraw them from circulation at the rate of 10 per cent per year. Bank-notes are now printed by the Bank of Canada which took that responsibility upon itself. We are also proud that our rulers have taken their responsibilities and created such a bank. That institution was supposed to render great services to the people, but it fulfils only half its duty. But the banks maintained their privilege of creating credit money when making loans or purchasing bonds, subject however, to certain legal restrictions, such as keeping reserves of at least 5 per cent of their deposits and respecting the then 7 per cent interest ceiling.

• (5:50 p.m.)

With the 1944 revision of the Bank Act, the interest ceiling was lowered to 6 per cent and, furthermore, banks could not pay dividends higher than 8 per cent on their shares. They were permitted to continue making secret, tax-free, internal reserves which were undeclared to the shareholders, the public and the government in their annual reports.

When the Bank Act, that is finance, was revised in 1954, the ceiling on the interest rate was maintained at 6 per cent, but the 8 per cent ceiling on bank shares was removed. Today, banks are paying dividends at a rate between 20 and 30 per cent. The Royal Bank is paying a quarterly dividend of 75 cents, or $3 per year for a $10 share. The Bank of Montreal, on the other hand, has been paying quarterly dividends of 55 cents, plus a special dividend of 17½ cents, for a total of $2.37½ for a $10 share, a yield of 23.75 per cent.

When the government applies a ceiling on interest rates and dividends paid by the banks, it must be for sound reasons, for serious motives, and not on a sudden impulse.

The same thing applies to bank reserves where the 5 per cent rate was increased to 8 per cent; it is now suggested to lower it to 7 per cent. Of course, the effects of such changes, which may appear unimportant to the public or to the layman in matters of national economy and monetary science, are either good or bad—rather bad—when one first considers that the rights of citizens should take precedence over the rights of the wealthy, learned and powerful people governing and managing the big institutions of Canada.

Why, Mr. Chairman, has the 8 per cent ceiling on bank share dividends been lowered? Why lower today the 6 per cent ceiling on bank credit? I would appreciate it if the minister would answer those questions in due course or when he has an opportunity to do so.

For instance, when the Bank of Canada was created in 1934, its interest rate on treasury bills and on loans to chartered banks was set at 2 per cent. That rate remained unchanged from 1934 until 1956, or through a period of depression, a period of war and a period of prosperity.

But in 1956, the government ends its fiscal year with a big surplus following small annual surpluses. It was rather nice to see the federal government ending its operations with a surplus, because that does not happen very often, Mr. Chairman. Then, there was talk of inflation, unemployment and steps were taken to correct the deficit policy deemed better for the country's development.

The Bank of Canada started on its own behalf to manipulate the interest rates to follow the wonderful stability it had achieved, maintained and practiced since its creation 20 years before.

The Bank of Canada rate jumped from 1.5 per cent to 6.41 per cent the same year and the federal government bonds, following the famous conversion of war bonds worth $6,400 million, were renewed at 4 and 5 per cent interest instead of 2.5 and 3 per cent, which rates had been in force since the war.

Mr. Chairman, once again the poor people, the poor taxpayers paid for that and that was allowed to benefit the financial institutions.

That is where the decision of the Bank of Canada to remove the ceiling and its failure to mind its own business led us. The fact that it started to manipulate interest rates of all kinds enabled the highest financial institution to take over the control of a great number of

government bonds, to buy them back and to sell them again at a higher price.

Today, governments, provinces and municipalities, large companies, school boards, religious corporations and parishes issue bonds at an interest rate of 7 per cent and even 8 per cent. Why such prohibitive rates on money, on capital?

When will this staggering increase in the interest rate come to an end? Will someone attempt to stop it? Is it preferable to let the capital income continue to increase this way, when people do not have the basic requirements, when they lack adequate income, particularly the citizens that are too young, too ill or too old to earn their living?

This dangerous game must be ended, even if it benefits the part of the population that is well provided for, that has the knowledge, and that governs. The wealth, science and power of these gentlemen is not for themselves only, but for all the people that offer them their labour and their talent in order to get, in return, a better share of the wealth and income of Canada.

This is life in society: working for each other, not all for just a few who have wealth, talent, science and power. All these increases in interest and wages only pushes the cost of living higher, even for those citizens that have neither work nor capital. This is the painful aspect of the national economic situation.

The gap is getting wider between rich and poor between those with a surplus or a deficit, between those who accumulate capital and those who sink into debt. This is also true of all the governments, all levels of our economic activity. The interest rate is all-important in case of debts. To make you understand, let me draw the following picture. It will prove useful to understand our problem.

Suppose we have to build a bridge in Montreal, in Winnipeg, or anywhere in Canada, and that it costs $20 million. We can borrow again $20 million from banking finance at a 5 per cent interest, for 40 years. We can borrow from the Bank of Canada $20 million without interest, repayable at 5 per cent of the amount, over 20 years, because the bridge is an unprofitable public utility, that has no possible revenue. Moreover, it was built with Canadian materials and by Canadian people. Only Canadians took part in the building of that bridge or that building, if you want to put it that way.

The Bank of Canada bonds bear a 5 per cent interest; the annual reimbursement, at 5 per cent, is $1 million; the 20 year interest is $20 million. Ten years from now, $10 million in interest; 20 years from now, with the present system, the interest will cost $20 million and 40 years from now, it will cost $40 million.

Mr. Chairman, may I point out that it is six o'clock?

[*English*]

Process reported.

• (6:00 p.m.)

BUSINESS OF THE HOUSE

Mr. McIlraith: Tomorrow we propose submitting to the house for its consideration items 74, 75, 134, 136, 137 and 139.

It being three minutes after six o'clock the house adjourned, without question put, pursuant to standing order.

HOUSE OF COMMONS

Thursday, March 16, 1967

The house met at 2.30 p.m.

COMMITTEES OF THE HOUSE

Fourteenth report of standing committee on transport and communications—Mr. Macaluso.

[*Translation*]

Twenty third report of the standing committee on finance, trade and economic affairs —Mr. Gray.

[*English*]

NORTHERN AFFAIRS AND NATIONAL RESOURCES

Mr. Hubert Badanai (Fort William) presented the fifth report of the standing committee on northern affairs and national resources.

Mr. Dinsdale: Mr. Speaker, I rise on a question of privilege. The report of the committee on northern affairs and national resources will have to be received on division; the members of the official opposition dissociate themselves from the report.

Mr. Speaker: Order, please. I understand there is no provision for this, as I am sure the hon. member appreciates. On a question of privilege he may indicate his disagreement with the report, but it certainly cannot be the subject of a debate.

Mr. Badanai: Mr. Speaker, may I be permitted to explain—

Mr. Speaker: Order, please. I suggest to the hon. member that this cannot be done.

Mr. Barnett: On a question of privilege—

Mr. Speaker: Order, please. The Chair has ruled that there is no question of privilege, so the hon. member cannot rise on a question that does not exist.

Mr. Barnett: My question of privilege is different from that raised by the hon. member for Brandon-Souris. My question of privilege is that I failed to hear what report it was that the chairman of the committee on northern affairs and national resources was tabling. I wonder whether he might be allowed to repeat the number of the report, because I think it has some significance.

Mr. Badanai: The report has nothing to do with the matter of—

Mr. Speaker: Order, please. I ask the hon. member's co-operation to indicate to the hon. member for Comox-Alberni the number of the report that he has tabled.

[*Note: Text of the foregoing reports appears in today's Votes and Proceedings.*]

[*Later:*]

On the orders of the day:

Hon. W. G. Dinsdale (Brandon-Souris): Mr. Speaker, earlier today I indicated that we objected to and dissociated ourselves from the report presented by the standing committee on northern affairs and national resources. It has now come to my attention that the report presented today was the fifth. The sixth report is still being translated, and that is the report to which we object.

INCOME TAX ACT

AMENDMENT TO REMOVE FIVE PER CENT REFUNDABLE TAX

Hon. Mitchell Sharp (Minister of Finance) moved for leave to introduce Bill No. C-280, to amend the Income Tax Act.

Some hon. Members: Explain.

Mr. Sharp: Mr. Speaker, I am sure the house will be glad to know that this is a bill for the purpose of removing a tax, namely the 5 per cent refundable tax.

Motion agreed to and bill read the first time.

• (2:40 p.m.)

FISHERIES ACT

AMENDMENT TO PROHIBIT HUNTING OF SEALS

Mr. Frank Howard (Skeena) moved for leave to introduce Bill No. C-281, to amend the Fisheries Act (seal hunting prohibited).

He said: Mr. Speaker, there are many who support the principle contained in this bill, many with humane instincts and concern about what has taken place in the seal hunting grounds not only this year but in the past. The purpose of the bill is to prohibit anyone from hunting, killing, impeding, injuring or obstructing the progress of seals within the area bounded by the territorial sea of the fishing zones as determined under the Territorial Sea and Fishing Zones Act.

There are two exceptions to the prohibition; first to enable the Indian and Eskimo people to hunt seals for food and clothing, and second to allow the Canadian government to engage in research work.

Motion agreed to and bill read the first time.

FISHERIES

REQUEST FOR LEGISLATION TO PROHIBIT SEAL HUNTING

On the orders of the day:

Right Hon. J. G. Diefenbaker (Leader of the Opposition): Mr. Speaker, as private members' bills do not often receive early attention, or any attention at all, I should like to address the following question to the Minister of Fisheries.

Now that the sealing season is concluded and the reports of the S.P.C.A. officials and other observers make it clear that cruelties are far from ended, and also that one of the department's senior officials was forcibly thrown off a sealing ship when endeavouring to enforce government regulations, would the minister inform the house whether he is now willing to bring before us the necessary legislation to put an end to this inhumane practice?

Hon. H.-J. Robichaud (Minister of Fisheries): Mr. Speaker, first of all I wish to advise the right hon. gentleman that I have received a report from five representatives of S.P.C.A. societies who witnessed the seal hunt this year. They have unanimously agreed and reported that the evidence of cruelty was minimal, that there was a general improvement in the operation, that the level of the enforcement of regulations by officials of the Department of Fisheries was greatly increased, and that compliance with the regulations was generally satisfactory in the circumstances.

With regard to the event the hon. member has mentioned, when a senior official of the department was ordered off a ship, may I say that this senior officer suspended the licences of most of the crew members of the ship for 24 hours. As soon as the captain ordered him to leave the ship he immediately contacted his headquarters in Halifax, which got in touch at once with the owner of the ship. In turn the owner telephoned the captain and told him that unless the regulations of the Department of Fisheries were fully carried out the captain would be immediately replaced and the licence of the ship would be cancelled.

[Mr. Howard.]

Mr. Diefenbaker: I should like to ask the minister whether it is a fact that he received a telegram from the New Brunswick S.P.C.A. to the effect that autopsies performed on baby seals by Dr. Elizabeth Simpson "indicate a large proportion of baby seals still being skinned before death in unsupervised killings". I should also like to ask the minister, in view of the fact that the income from this operation is so small, whether the time has not come, in the interests of humanitarian considerations, to end this practice regardless of the improvement this year or the year before, which incidentally was pointed out by the minister in identical terms last year.

Mr. Robichaud: Mr. Speaker, I did receive such a telegram from Dr. Kinloch, vice president of the New Brunswick S.P.C.A. I replied immediately to Dr. Kinloch that the statement in his telegram was not according to the facts. There were two veterinarians, representatives of the S.P.C.A., who witnessed the operation and they have by their own reports concluded that the report made by Dr. Simpson and a companion, Mr. Brian Davies, was not accurate or according to the facts.

Mr. Diefenbaker: Mr. Speaker, may I come back to the major question I asked, which was this. In view of all the circumstances and the fact that 50,000 is the total number that are being killed, having regard to the serious feeling on the part of the people generally toward the inhumanity of this operation and the smallness of the income from it derived by Canadians, does the minister not feel that the time has come to end this practice?

Mr. Robichaud: Mr. Speaker, I wish again to advise the right hon. gentleman that the quota of 50,000 is the number being applied both to sealers and to those operating from aircraft. Furthermore, an additional number of seals are killed by landsmen, by fishermen who need the revenue at this time of year in order to provide a livelihood to care for their families. In view of the interest that is being shown by the right hon. gentleman may I remind him that it might be appropriate to go back to his own files between the years 1960 and 1962 and look at the letters which he himself sent to S.P.C.A. officials when he was responsible for the government.

Mr. Speaker: Order. I think we are now getting into a debate between the Leader of the Opposition and the Minister of Fisheries. I suggest that perhaps we should go on to another question.

Mr. Diefenbaker: Mr. Speaker, I would suggest, following that gratituous statement—

Some hon Members: Oh, oh.

Mr. Speaker: Order, please.

Mr. Diefenbaker: I would suggest to the minister—

Some hon. Members: Order.

Mr. Speaker: Order, please.

Mr. Diefenbaker: I do not mind being howled down.

Mr. Speaker: May we have order, please. My suggestion both to the minister and to the Leader of the Opposition is that we are no longer seeking information or giving information. Following the supplementary and further supplementary questions, asked by the Leader of the Opposition we began to get more into a discussion of the merits and demerits of the case for seal hunting. I do not think we should get into that kind of debate now.

Mr. Diefenbaker: Mr. Speaker, I rise on a question of privilege.

Some hon. Members: Oh, oh.

Mr. Speaker: Order, please.

Mr. Diefenbaker: I want the record to be clear that I was howled down by Liberal members because I dared to assert that action should be taken in this regard.

Mr. Robichaud: All I ask of the right hon. gentleman is that he follow the policy that was followed by his own government.

Some hon. Members: Oh, oh.

Mr. Speaker: Order, please. May we forget about seals for the moment.

LABOUR CONDITIONS

REQUEST FOR STATEMENT ON INCREASE IN UNEMPLOYMENT

On the orders of the day:

Mr. T. C. Douglas (Burnaby-Coquitlam): Mr. Speaker, now that you have quietened the seals I wonder whether I might turn the attention of the house to another matter. May I draw the attention of the minister of manpower to a joint statement issued by the minister's department and the Dominion Bureau of Statistics which shows that at the middle of February there were 396,000 unemployed in Canada, an increase of 40,000 over the same month of 1966 and representing an unemployment figure of 5.4 per cent of the Canadian labour force.

I want to ask the minister whether in the next few days on motions he would be prepared to make a statement to the house analysing these figures, to show to what extent this large increase in unemployment is due to structural unemployment caused by technological change and to what extent it is due to a decline in the economic activity of this country.

Hon. Jean Marchand (Minister of Manpower and Immigration): Mr. Speaker, I have no objection to looking at these details and statistics. After I have looked into them I shall determine whether it is proper for me to make a statement.

Mr. Douglas: A supplementary question, Mr. Speaker. May I ask the minister whether when making that statement he would be prepared to detail what steps his department proposes to take to cope with this growing problem of unemployment.

Mr. Marchand: I shall have to look at the details of the statistics before making any commitment or statement.

Mr. Diefenbaker: There are almost half a million unemployed.

[*Translation*]

Mr. Gilles Grégoire (Lapointe): Mr. Speaker, I have a supplementary question for the Minister of Manpower and Immigration.

In view of such increase in unemployment which is particularly noticeable in Quebec where the figures are approximately the same as in the hard years of 1960, 1961 and 1962, will the minister tell us whether he intends to take special measures to check the unemployment crisis in Quebec?

Mr. Marchand: Mr. Speaker, a certain number of measures have already been taken, among which winter works carried out in co-operation with the municipalities, and of which Quebec is the largest beneficiary. This measure is already operative. It may not be perfect, but we are undoubtedly ready, with the co-operation of the provincial government, to counter seasonal unemployment.

Inquiries of the Ministry

[*English*]

Mr. D. V. Pugh (Okanagan Boundary): Might I ask a further supplementary question of the Minister of Manpower and Immigration. When making his statement would he also say how much of this growing unemployment is due to lay-offs in the building trades.

Mr. Marchand: Mr. Speaker, I have already mentioned that before committing myself to making a statement I shall have to look at the details and statistics. When making my statement of course I shall try to make it as complete as possible.

Mrs. Grace MacInnis (Vancouver-Kingsway): A supplementary question, Mr. Speaker. Is the minister investigating or will he investigate the reasons for the 30 per cent rise in the number of women without jobs, a disproportionately high figure?

Mr. Speaker: Order, please. I am sure the minister will take all these suggestions into account. We shall set aside an afternoon for his statement.

Some hon. Members: Oh, oh.

[*Translation*]

FINANCE

REQUEST FOR REMOVAL OF TAX ON BUILDING MATERIALS

On the orders of the day:

Mr. Gérard Laprise (Chapleau): Mr. Speaker, I have a question for the Minister of Finance. By coincidence, my question is related to those directed to the Minister of Manpower and Immigration a while ago.

I should like to ask the minister whether, in view of representations by builders and homeowners associations, he intends to remove the sales tax on building materials?

Mr. Speaker: Order. The hon. member's question is similar to that which has just been put.

[*English*]

QUEBEC—DOUBLE TAXATION ON DEPOSIT-RECEIVING INSTITUTIONS

On the orders of the day:

Mr. H. A. Olson (Medicine Hat): Mr. Speaker, I wish to direct a question to the Acting Prime Minister or to the Minister of Finance. Has an agreement now been reached with the province of Quebec or are meetings planned with that province to deal with the matter of double taxation of all financial institutions receiving deposits?

Hon. Mitchell Sharp (Minister of Finance): Mr. Speaker, as the house is aware and as the Prime Minister informed us some weeks ago, a meeting is being arranged to discuss all financial institutions, including those that accept deposits. There has been some difficulty in getting agreement among all provinces for a suitable date. I believe a decision will be reached very soon for a meeting in April.

Mr. Olson: May I ask a supplementary question. I suggest that the Quebec legislature already has a bill of this nature before it, so is there any possibility there will be some double taxation of these institutions before that meeting is held and an agreement is reached?

Mr. Sharp: I am not sure that the Quebec legislature has a bill before it. I have learned what the hon. member has learned from the newspapers and the public broadcasts, that it is the intention of the premier of Quebec to have a bill introduced for this purpose. I cannot answer, therefore, whether there will in fact be so-called double taxation, although I should point out that this house has not imposed a tax upon deposit-taking institutions.

NATIONAL DEFENCE

POSSIBLE OMISSION OF WORD "QUEEN" FROM REGULATIONS AND ORDERS

On the orders of the day:

Hon. Gordon Churchill (Winnipeg South Centre): My question is for the Minister of National Defence and relates to the Queen's Regulations and Orders for the Canadian forces. Is it the intention of the minister to drop the word "Queen's" or has that already been done, and substitute "Canadian Forces Orders" or some similar words so as to avoid using the traditional title?

Hon. Paul Hellyer (Minister of National Defence): No, Mr. Speaker, there is no such intention to my knowledge. I would be surprised if there were.

THE CANADIAN CONSTITUTION

REPORTED STATEMENT BY INDUSTRY MINISTER RESPECTING APPOINTMENT OF GOVERNOR GENERAL

On the orders of the day:

Right Hon. J. G. Diefenbaker (Leader of the Opposition): I should like to ask the

Acting Prime Minister whether his attention has been drawn to the constitutional faux pas on the part of the Minister of Industry who commented publicly on the choice of a successor to the late Governor General, and in particular whether his attention was drawn to these words in the report in the Montreal *Gazette*:

—Prime Minister is giving serious consideration to the possibility of recommending—

Some hon. Members: Order.

Mr. Speaker: Order. The right hon. gentleman should ask the question directly without reference to the newspaper article.

Mr. Diefenbaker: The question is, has his attention been drawn to this serious constitutional breach of a minister commenting on the recommendation to be made by the Prime Minister to the Queen regarding her representative in Canada?

Hon. Paul Martin (Acting Prime Minister): I have read the article, Mr. Speaker, to which my hon. friend directs my attention. I would say that my colleague indicated that this is a matter which under our constitutional practice rests with the Prime Minister. As my hon. friend knows, it is the reponsibility of the Prime Minister to advise Her Majesty the Queen of Canada in the matter of the appointment of the Queen's representative in Canada. The advice by the Prime Minister to the Sovereign is and always has been regarded as completely confidential, and it is not for me to speculate in any way on what it might be.

Mr. Diefenbaker: The statement by the Acting Prime Minister that the recommendation is to be strictly confidential is well founded. Then I ask him what justification is there for one of the ministers to make a statement which would indicate that this particular tradition has been subjected to a gross travesty?

Mr. Martin (Essex East): Mr. Speaker, I do not believe the story warrants the conclusion drawn by the right hon. gentleman. The Minister of Industry clearly indicated that under our constitutional usage this was the responsibility of the Prime Minister. In my judgment he in no way violated this principle of constitutional practice.

Inquiries of the Ministry

SHIPPING

REQUEST FOR SAFETY INSPECTION OF STEEL HULLED TOW BOATS

On the orders of the day:

Mr. Frank Howard (Skeena): I have a question for the Minister of Transport regarding the representations of the Canadian Merchant Service Guild about the use of steel hull tow boats, and whether the minister is in a position to reply?

Hon. J. W. Pickersgill (Minister of Transport): Yes. I think this is only the fourth time the hon. gentleman has asked the question. I have found my bit of paper, and the report I have is that on February 8 last the department received a copy of a preliminary report of an investigating committee of the Canadian Merchant Service Guild into tow boat sinkings on the British Columbia coast.

In the report a recommendation was made that steel hulled tow boats be called in to ensure that they contain three watertight bulkheads placed in such a manner that the flooding of any single compartment would not sink the vessel. The department is also doing a study of the recent tow boat sinkings, and the recommendation from the Canadian Merchant Service Guild will be considered at the time the department's investigation is complete. As soon as it has been completed I will let the hon. gentleman know the results.

HOUSING

REQUEST FOR STATEMENT OF GOVERNMENT POLICY

On the orders of the day:

Mr. Heward Grafftey (Brome-Missisquoi): Mr. Speaker, the day before yesterday in the house the Minister of Labour confirmed press reports that the cross-country housing symposia and study groups have come to an end. In view of this, and in view of the continuing housing shortage, can the minister inform us whether the government is considering new measures to be announced in order to affect springtime housing starts?

Mr. Speaker: My recollection is that this is a repetition of a question asked two days ago by the hon. member.

Mr. Grafftey: Excuse me, Mr. Speaker; I asked the Acting Prime Minister this question

yesterday in the absence of the minister directly concerned, and he was unable to answer it. In view of the serious housing situation I think it is appropriate to put the question to the Minister of Labour himself on his return today.

Hon. J. R. Nicholson (Minister of Labour): This is substantially the same question that was put and answered by me the day before yesterday.

TRADE

POSSIBLE FORMATION OF TRANSATLANTIC COMMON MARKET

On the orders of the day:

Mr. Lloyd R. Crouse (Queens-Lunenburg): I wish to direct a question to the Acting Prime Minister in his capacity as minister of external affairs. In view of the announcement by Mr. Douglas Jay, president of the Board of Trade in the United Kingdom government, that the formation of a transatlantic common market including Britain, Canada and the United States is being studied in both government and private circles, has the minister any comment to make on the position to be adopted by Canada toward a wider area of free trade between Britain and North America?

Hon. Paul Martin (Acting Prime Minister): As is generally known, the Prime Minister has emphasized the importance we on this side of the house attach to the development of a strong Atlantic community. As to any comments I might be invited to make on what Mr. Jay has said, these will have to wait until I have had an opportunity to see what, in fact, Mr. Jay did say.

Mr. Crouse: Will there be a joint meeting of key cabinet ministers of the British and Canadian governments in London in April to study this question of a transatlantic common market?

Mr. Martin (Essex East): I do not want to anticipate the details of the formal announcement, but discussions have been under way for the purpose of establishing with Britain the same modalities that exist between Canada and the United States and Canada and Japan for joint ministerial meetings. There is to be a meeting some time before the end of April when ministers of the Canadian and British governments will discuss foreign affairs, Commonwealth matters, and trade and economic matters.

[Mr. Grafftey.]

[*Later:*]

Mr. G. W. Baldwin (Peace River): Mr. Speaker, I wish to direct a question to the Acting Prime Minister related to the questions asked by the hon. member for Queens-Lunenburg. If a meeting is held of cabinet ministers of the various countries involved, something we hope will take place, to discuss the question of an Atlantic free trade association, will the hon. gentleman in his present capacity, and with the special knowledge he has as the hon. member for Essex East, make sure that such reprehensible agreements as the Canada-United States automobile trade pact will be outlawed from the discussions?

Mr. Speaker: Order. I am unable to determine whether the question is directed to the minister in his capacity as Acting Prime Minister, as Secretary of State for External Affairs or as the hon. member for Essex East. However, the question appears to be out of order.

LABOUR RELATIONS

STATUS OF DISPUTE BETWEEN UPI AND WIRE SERVICE GUILD

On the orders of the day:

Mr. Barry Mather (New Westminster): I have a question I wish to address to either the Acting Prime Minister or the Minister of Labour. Yesterday on orders of the day the Acting Prime Minister indicated in the absence of the Minister of Labour that he would look immediately into the strike which is threatened between United Press International and the wire service guild at midnight tonight. Could the minister tell us what the position is at the present time?

Hon. J. R. Nicholson (Minister of Labour): Mr. Speaker, in this dispute a conciliation officer was appointed several months ago, and on his suggestion a conciliation board was established. The conciliation board which, of course, included a member representative of the employees, unanimously recommended that negotiations should continue. The negotiations did continue. When they broke off a request was made, yesterday, that a mediator should be appointed. Immediately one of the senior officers in my department, our senior official in Montreal in fact, was assigned to the task. The parties are negotiating and the deadline for the strike has been extended.

FINANCE

REQUEST FOR EASIER CREDIT TO ENCOURAGE INCREASED PRODUCTION

On the orders of the day:

Hon. George Hees (Northumberland): I wish to direct a question to the Minister of Finance. In view of the sharp increase in unemployment during the past year and the obvious need for increased production to take up the slack, will the minister give consideration to making credit more easily available to producers so they can increase production and thus provide more employment opportunities?

Hon. Mitchell Sharp (Minister of Finance): I am sure the hon. gentleman has heard of the very considerable easing in capital markets which has taken place in the last few weeks. For example, there has been a drop in the yield on treasury bills from a high of nearly 5.20 to present levels of nearly 4.30 per cent.

Mr. Hees: Does the minister consider that the steps which have been taken are sufficient to take up the slack in employment which has become evident in the last 12 months?

Mr. E. Nasserden (Rosthern): I have a related question for the Minister of Finance. Has the minister received any representations from building contractors or labour organizations drawing attention to the serious decline in employment and construction plans in the Toronto area and the St. Lawrence basin?

Mr. Speaker: Order.

Mr. Herridge: I rise on a question of privilege. Apparently the microphone is not working and we have no opportunity to hear your words of wisdom, Mr. Speaker.

An hon. Member: He said "Sit down".

[*Translation*]

AGRICULTURE

DISCUSSIONS RESPECTING MILK PRODUCERS OF QUEBEC AND ONTARIO

On the orders of the day:

Mr. Auguste Choquette (Lotbinière): Mr. Speaker, I wish to direct my question to one of the ministers who understands the farm people best, namely the Minister of Agriculture who also makes a deep impression each time he appears in public.

Here is my question: Has the minister had talks recently with the ministers of agriculture of Ontario and Quebec to establish what steps can be taken to satisfy the Canadian dairy producers?

Hon. J. J. Greene (Minister of Agriculture): Talks were held, Mr. Speaker, but not over the last few days.

Mr. Patrick-T. Asselin (Richmond-Wolfe): Mr. Speaker, I have a supplementary question for the Minister of Agriculture. Can he give the house an indication of the date on which he will announce the new dairy policy which, I think, provides for an increase.

Mr. Speaker: A question identical to that has already been asked by the hon. member.

Mr. Gilles Grégoire (Lapointe): Mr. Speaker, I should like to put a supplementary question to an inquiry made some time ago, with regard to the government's dairy policy.

Since the authorities of the Quebec Catholic Farmers Union are supposed to meet federal members in their respective ridings during the coming weekend, my question is as follows—

Mr. Speaker: Order. Would the hon. member please put his question?

Mr. Grégoire: Under those circumstances, Mr. Speaker, I should like to ask the Minister of Agriculture whether he intends to announce this new dairy policy before the weekend.

[*English*]

[*Later:*]

Mr. Eric A. Winkler (Grey-Bruce): Mr. Speaker, I have not yet received a reply to a question I asked the other day when the Minister of Agriculture was not in the house. May we expect a new dairy policy to be announced before the end of the month?

COAL

REQUEST FOR STATEMENT ON NEGOTIATIONS WITH JAPAN

On the orders of the day:

Mr. Lawrence E. Kindt (Macleod): I understand, Mr. Speaker, that the negotiations which for some time have been taking place between Japanese officials and representatives of the coal industry of western Canada are somewhere near consummation, if they have not already been concluded. I would ask the Minister of Energy, Mines and Resources

whether he can make a statement at this time. I believe he does have a statement to make on this subject.

Mr. Speaker: Order. The statement should be made at a time appropriate for ministerial statements.

Mr. Kindt: May I rephrase my question, Mr. Speaker. Have the negotiations been completed with the Japanese authorities or industrialists, regarding coal shipments to Japan?

Hon. Jean-Luc Pepin (Minister of Energy, Mines and Resources): Mr. Speaker, I think the best way I can answer is by saying that the negotiations of which I am most aware are taking part in this part of the world, in Canada, between the producers of the coal and the transport companies.

EXTERNAL AFFAIRS

CANADIAN OBSERVERS AT URUGUAY MEETING OF WESTERN COUNTRIES

On the orders of the day:

Mr. Heath Macquarrie (Queens): Mr. Speaker, I wish to direct a question to the Acting Prime Minister. Can he advise the house whether Canada has accepted an invitation to send an observer delegation to the forthcoming and extremely important summit conference of western hemispheric leaders at Punta del Este in Uruguay?

Hon. Paul Martin (Acting Prime Minister): Mr. Speaker, at the last meeting of the Organization of American States there was a Canadian observer. The meeting to which my hon. friend directs our attention is a meeting of the heads of states, and so far as I am now aware no provision is made for the inclusion in those discussions of persons from the governments of non-member countries.

NORTH VIET NAM—REQUEST FOR CESSATION OF BOMBING

On the orders of the day:

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, may I direct a question to the Acting Prime Minister. It is a very straightforward question which I believe he can answer yes or no.

Some hon. Members: Oh, oh.

Mr. Knowles: Is it not time for Canada to say clearly that the bombing of North Viet Nam should stop?

[Mr. Kindt.]

Hon. Paul Martin (Acting Prime Minister): Mr. Speaker, I am sure my hon. friend is aware that the government has indicated that in the opinion of the Canadian government a cessation of the bombing is one of the key factors. Another key factor is what action is taken by the other side to make it possible for both parties to engage in preliminary discussions that might lead to a negotiated settlement.

Undoubtedly my hon. friend is aware that at this time this matter is very much engaging the attention of a number of governments, including the government of Canada.

Mr. Knowles: As a supplementary question, shouldn't the bombing stop now?

Mr. Martin (Essex East): I think it would be very useful if there were a cease fire on both sides.

[*Translation*]

TRANSPORT

PROPOSED REDUCTION IN RAILWAY SERVICE BETWEEN QUEBEC AND SHERBROOKE

On the orders of the day:

Mr. Maurice Allard (Sherbrooke): Mr. Speaker, my question is addressed to the Minister of Transport and it is very urgent, since the Quebec Central Railway intends to proceed before April 30.

Has the minister received protests against the elimination of passenger trains Nos. 1, 2 and 4 between Quebec and Sherbrooke and is it his intention, in the public interest, to recommend that the Quebec Central Railway reconsider its decision.

Mr. Speaker: This question should be put on the order paper.

Mr. Allard: At ten o'clock, Mr. Speaker.

[*English*]

BRITISH COLUMBIA—STATEMENT BY LABOUR MINISTER RESPECTING BURRARD INLET CROSSING

On the orders of the day:

Mr. T. C. Douglas (Burnaby-Coquitlam): Mr. Speaker, may I direct a question to the Minister of Labour and ask whether he made an announcement in Vancouver yesterday regarding a third crossing for Burrard inlet, and will he tell the house the nature of this announcement?

Hon. J. R. Nicholson (Minister of Labour): Mr. Speaker, I did make such announcement,

or rather issued a press release yesterday. If the house would like me to, I would be pleased to table a copy.

Mr. Speaker: Is it the desire of the house that the minister should have leave to table the document to which he has referred?

Some hon. Members: Agreed.

Mr. Churchill: On a point of order, Mr. Speaker. I doubt very much whether press releases should be tabled in the house. If we start that practice there will be such an accumulation of paper from the ministerial offices that we won't know what to do with it.

Mr. Pickersgill: It is only one page.

Mr. Speaker: If there is no agreement the document cannot be tabled.

SHIPPING

REQUEST FOR OPENING OF CHANNEL TO AMHERST ISLAND

On the orders of the day:

Mr. A. D. Alkenbrack (Prince Edward-Lennox): Mr. Speaker, I wish to direct a question to the Minister of Transport. Will the minister please authorize the icebreaker *Simcoe* now on its way up the St. Lawrence river to Kingston, to continue westerly to Millhaven dock on the north shore west of Kingston, and from there to break a channel to Stella on Amherst island, in order that the ferry *Amherst Islander* may resume vital operations in service to Amherst island, the people of which are in serious need of the resumption of service with the mainland.

Mr. Speaker: These are very interesting representations which I am sure have been noted by the minister, but this is not the type of question that can be asked at this time.

Mr. Alkenbrack: Mr. Speaker, I had notified the minister of my intention to ask it.

Mr. Speaker: The hon. member had not notified me.

PILOTAGE

INQUIRY AS TO REPORT OF ROYAL COMMISSION

On the orders of the day:

Mr. Frank Howard (Skeena): Mr. Speaker, I wish to direct a question to the Minister of National Defence on a rather urgent matter. Can he activate the search and rescue service which exists within the Canadian armed forces to see whether we can find the report of the royal commission on pilotage?

Hon. Paul Hellyer (Minister of National Defence): I shall refer this question to the appropriate minister, Mr. Speaker.

POLLUTION

REPLY TO TELEGRAM OF CALGARY ASSOCIATION

On the orders of the day:

Hon. Jean-Luc Pepin (Minister of Energy, Mines and Resources): Mr. Speaker, I wish to reply to a question addressed by the right hon. Leader of the Opposition to the Acting Prime Minister last Tuesday, as recorded at page 13963 of *Hansard*, regarding a telegram sent to the Prime Minister by Mr. Cronkhite, chairman of the Calgary Fish and Game Association. This telegram expressed concern at the cost of a sewage treatment plant in Calgary and requested senior government financial assistance.

I replied yesterday to the telegram, and among other things I said:

> Federal government assists municipalities in construction of sewage treatment plants by making available low cost loans through Central Mortgage and Housing Corporation. These loans are for a maximum of two thirds the cost and extend for a period of up to 50 years. One quarter of loan is forgiven if project is completed on time.

My office called the mayor of Calgary on this subject and was advised that no application had been made for financial assistance from the federal government, since engineering and cost studies are only now in process, and since Calgary would not be prepared to proceed with the construction for at least another year.

AGRICULTURE

INQUIRY AS TO PERSONNEL OF FEED GRAIN BOARD

On the orders of the day:

Mr. David MacDonald (Prince): Mr. Speaker, I wish to direct a question to the Minister of Forestry and Rural Development. On Monday of this week the minister informed the house that by March 15 we would be informed of the appointments to the livestock feed board. Have these appointments now been made?

Hon. Maurice Sauvé (Minister of Forestry and Rural Development): Mr. Speaker, on Monday of this week I announced that there would be a delay of at least ten days.

Mr. MacDonald (Prince): As a supplementary question, how soon may we expect the appointments to be made to the advisory committee, which is important to the operations of this board?

Mr. Sauvé: Both will be appointed at the same time.

AIR TRANSPORT

CANADIAN PACIFIC AIRLINES—REQUEST FOR LANDING RIGHTS AT CALGARY

On the orders of the day:

Mr. H. R. Ballard (Calgary South): Mr. Speaker, I wish to direct a question to the Minister of Transport. Can the minister now indicate when we may expect an announcement by him of a decision on the submissions made by the city of Calgary and the Calgary Chamber of Commerce respecting landing rights for Canadian Pacific Airlines at the Calgary international airport?

Hon. J. W. Pickersgill (Minister of Transport): Mr. Speaker, the answer to that question depends upon many variable factors, and I do not think I could work out the equation in time to answer it on orders of the day.

[*Translation*]

INCOME TAX

REQUEST THAT DONATIONS TO QUEBEC ESTATES GENERAL BE MADE DEDUCTIBLE

On the orders of the day:

Mr. Auguste Choquette (Lotbinière): I should like to direct a question to another very able minister, the Minister of National Revenue and President of the Treasury Board, concerning a matter which could very well be discussed at ten o'clock. Here is that question. Has he received an official request from the estates general of French Canada to the effect that any subscription, contribution or gift to that organization should be deductible for income tax purposes?

• (3:20 p.m.)

[*English*]

BANK ACT

DECENNIAL REVISION AND EXTENSION OF CHARTERS

The house resumed, from Wednesday, March 15, consideration in committee of Bill C-222, respecting banks and banking—Mr. Sharp—Mr. Batten in the chair.

[Mr. Sauvé.]

The Chairman: Order, please. When the committee rose last evening clause 2 was being discussed.

On clause 2—*Definitions.*

[*Translation*]

Mr. Latulippe: Mr. Chairman, last night I called it six o'clock, and I think that—

[*English*]

The Chairman: Order, please. I apologize for interrupting the hon. member but it is rather difficult to hear his remarks.

[*Translation*]

Mr. Latulippe: Mr. Chairman, I was just saying that I was explaining a table when I had to call it six o'clock. That table is not complicated but it does not appear in *Hansard*, probably because my request was not heard. At any rate, nothing was done about it and the table is not in *Hansard.*

If the committee will allow me, I should therefore like to table it now because it is part of my remarks, and is most important in explaining and completing my statement of yesterday. I shall send it to you, Mr. Chairman.

As I was saying, when $20 million worth of bonds redeemable in tender issued by the Bank of Canada are floated it costs chartered banks $20 million in interest over a period of 20 years; reimbursement at 5 per cent or annual interest at 5 per cent amounts to $1 million per year for the Bank of Canada and $1 million in interest for the chartered banks. After ten years, capital and interest cost the Bank of Canada $10 million, and the chartered banks, $10 million in interest, and, after 20 years, $20 million to the Bank of Canada and $20 million to the chartered banks.

Case one. Hospital entirely paid for: after 30 years, at an annual rate of interest of 5 per cent, $30 million in interest. After 40 years, at 5 per cent interest, $40 million paid in interest to the chartered banks. The bond is redeemable in 40 years, which means $20 million. The same hospital costs $60 million in capital and interest.

May I present this table so that it may be printed in *Hansard*?

[*English*]

[*Later:*]

The Chairman: Order. May I point out that the hon. member for Compton-Frontenac requested during the course of his speech this afternoon that a table be inserted in *Hansard* correcting figures which he had used yester-

day. I apologize to the hon. member for not hearing his request, and I would now ask the committee whether it gives its consent to having this table printed in *Hansard*.

Some hon. Members: Agreed.

[*Editor's note: The table referred to above is as follows*]:

[*Translation*]

DIFFERENCE BETWEEN THE TWO METHODS

Finance Figures in both Cases: For the People—or for Financial Institutions

	Bank of Canada	Chartered banks
Bond issue: Capital issued	$20,000,000	$20,000,000
Reimbursement at 5%; or Interest at 5%: 1 year:	$ 1,000,000 in cap.	$ 1,000,000 in int.
After 10 years: capital or interest:	$10,000,000 in cap.	$10,000,000 in int.
After 20 years:	$20,000,000 in cap.	$20,000,000 in int.
Case one: Hospital entirely paid for:		
After 30 years: at an annual interest of 5%		$30,000,000 in int.
After 40 years: at an annual interest of 5%		$40,000,000 in int.
Bond redeemable in 40 years		$20,000,000 in cap.
The same hospital costs $60 million, in capital and interest:		$60,000,000

Mr. Latulippe: I was saying that after 40 years—to clarify the matter, Mr. Chairman—the $20 million bond becomes due, but since the government cannot pay, having disbursed $40 million in interest at the annual rate of 5 per cent, it must renew its $20 million bond according to the new terms of the creditors, capitalists, bankers or others, and according to the new conditions of the bond market, which may mean a rate of 7 per cent. You no longer see where the greed of those people who realized profits and pleased their gods and their golden calves will stop, especially when they know that the people are the ones who pay the interests and the capital.

Mr. Chairman, I need not say more to make clear the great importance of interest on self-generating capital in the machinery of our monetary, political, Canadian, capitalist and orthodox economy.

Nevertheless, that is the reason why, in matters which concern us, such as the study of a 6 per cent interest rate ceiling on bank loans, we can conclude that it is necessary to continue the game of interests to preserve the established system. At least, with our present knowledge, we can prevent the damage from spreading; we must take steps, set up new barriers and above all keep from removing those which already exist, such as the ceiling of 6 per cent on the interest rate.

One can talk indefinitely about this game of interest and its harmful consequences on the national economy and the social welfare of each citizen of this country.

Since I am speaking to ministers and members of parliament, I think they will be able to draw their own conclusions from those very precise facts, reduced to their simplest expression, which I have just brought to their attention.

• (3:30 p.m.)

As for bank reserves amounting to 5 per cent in 1933, which were brought up to 8 per cent lately and which are supposed to be brought down to 7 per cent, I suggest that we increase progressively those reserves at a rate of 10 per cent per year, so that in 10 years, they will be equivalent to 100 per cent of the deposits; thus, the chartered banks will lose progsessively the privilege to create new credit, as they lost, in 1933, their privilege to print their own bank-notes. On behalf of the people, the Bank of Canada will use all its privileges to issue all the currency necessary to the Canadian economy and to the welfare of all the Canadian people.

Let us not forget that, as the legislators of the whole nation, we must ensure the national economic balance between all the Canadian citizens and all the Canadian institutions, in order to adminster the country efficiently, with the standard and proven formula of revenues—expenditures and profits.

Mr. Chairman, the Minister of Finance (Mr. Sharp) believes in taxation as the only answer to financial problems. Taxation, which tends to reduce private property so as to increase public property, is based on a false financial system which is not in accordance with actual facts. The result of this decrease in what is real by financial fallacies, causes needless suffering of individuals and families. Money is artificially rationed, while potential production is almost automatically eliminated. The money problem is strictly artificial, but society as a whole suffers thereby, judging from the number of victims and the duration of the suffering imposed. The persons responsible for this diabolical financial system cause more evils than all the other wrong-doers in the whole world, and the governments which do nothing to solve the problem are conscious—or perhaps I should say evil-minded—accomplices.

Mr. Chairman, you really would not say that the parliament gathered here is supposed to exercise the nation's sovereignty. On the contrary, one would rather think that one is witnessing a debate between people who want to divide among themselves what has been taken from the people of this nation, and I feel that to remedy this situation one should do what the Great Master did when He walked into His temple and saw that it was full of people gathered there to do business, to exploit part of the people, practically everyone.

The present taxation system is the result of a financial system based on injustice.

Mr. Chairman, we would have many things to say about this, but since my time is almost up, I feel that I have done all I could as a free man, a man who is not bound to anyone, to serve the nation. I feel that I have done my duty toward the nation, I feel that I have brought to light the ills of the present system and I would like the journalists to do the same thing, because they have not reported a single word of what has been said in this house in the last two days. I would say that the journalists also are at the mercy of high finance.

[Mr. Latulippe.]

[*English*]

The Chairman: Order. I must apologize for interrupting the hon. member but the time allotted to him has expired.

Mr. Johnston: Mr. Chairman, I listened yesterday with interest to the remarks of the Minister of Finance as he detailed the history of this bill and the various delays up to this time in its path to becoming the legislation of this land. I listened also with interest to the remarks of the hon. member for Nanaimo-Cowichan-The Islands yesterday, particularly when he suggested that the Minister of Finance and the members of the Social Credit Party were all religious people. I would not deny that for a moment, but I would suggest that the hon. member for Nanaimo-Cowichan-The Islands is also a very deeply religious person, the difference being not in the depth of personal religious experience but simply whether the religion involved is living or dead with that of the hon. member falling into the latter category.

On the other hand, I would not want the suggestion to remain that the Minister of Finance and the members of the Social Credit Party share the same religious approach to matters of finance. I think the difference is that ours tends to be the examined view, whereas far too much of the approach of the Minister of Finance and his government tends to have clinging to it still the old magic and the old ritual, the old concepts of money being something quite other than a medium of exchange and holding a mystic, magical power of its own.

Mr. Sharp: Mr. Chairman, would the hon. member allow me to interrupt him and thank him very much for making this very clear distinction between our views? I should also like to remark, and I am sure the hon. member will appreciate this, that it is a measure of the thorough examination which has been given to this bill that when the hon. member first appeared in the standing committee his appearance was very different from what it is today, and I congratulate him on his great accomplishments during that period.

Some hon. Members: Oh, oh.

Mr. Johnston: Mr. Chairman, I appreciate these barbed remarks of the minister. I admit that the sessions of the finance committee were very long, and I agree entirely with the remarks of the minister when he said yesterday that the members of the committee had learned a great deal in that process. I would

suggest also that the learning process in this type of work in committee sessions is a two-way street and that in many cases the witnesses appearing before committees also learn. But one thing I hope for, and I think the Canadian people could come to expect this, is a greater sophistication in the approach to the monetary system than was displayed by witnesses appearing before that committee and particularly those representing the chartered banks of Canada.

This is something Social Credit has been endeavouring to do for a very long time in Canada. It has been a long-term process of education to teach the Canadian people that the monetary system is not quite as innocent system as is suggested to us, that money is not, as is suggested frequently, a commodity like other commodities, that many of the comparisons that were made at great length in that committee were specious, that money is created in a way quite different from what was frequently suggested to us, and it is a gross over-simplification of the whole process of banking and money creation to suggest that the banks lend only the deposits of the people who have entrusted their money to them for safekeeping. This is the educative process that Social Credit has been engaged in for a long time, and judging from much of the evidence in the committee we will be so engaged for a long time yet.

But we do make progress, and we know that some measures which have been advocated by Social Credit from the beginning have been partially instituted. These were referred to in the debate on the Bank of Canada Act. We know that it has been possible for the Bank of Canada to assist in meeting the interest charges on the national debt, and this has been a saving to the people of Canada. We hope, though, that as time goes by the people of Canada will take a more acute interest in this matter, and I am sure they will as the interest charges on the national debt increase. This year, as we see in the estimates that have just been presented to us, the figure is $1,250,213,000.

I am sure the enormity of this figure must give Canadians cause for thought. If they have examined the diagrams that so many newspapers have prepared which show the Canadian dollar divided like a pie and have paid attention to the percentage of the whole pie that is dedicated to the cost of servicing the national debt, it should be obvious by now to the people of Canada that what the Social Credit party has been saying for so long has a far more permanent foundation than has been suggested by the Minister of Finance or by the witnesses from the banking profession who appeared before the committee.

• (3:40 p.m.)

I know that in our questioning of those witnesses we could not expect to receive the same frank answers that were given in the 1930's when a different governor of the Bank of Canada was before the committee and when rather frank acknowledgements were made with regard to the involvement of the chartered banks in the creation of money. As I have said before, the learning process is a slow one and the defenders of the present system are not inclined at present to give a frank answer. One of the interesting features of the committee hearings was the very lengthy circumlocutions used by some of the witnesses in getting around the central facts of monetary policy and the creation of money.

We in this party are not denying the necessity of bringing the Bank Act up to date. We recognize the importance of bringing legislation up to date in light of the rapidly increasing pace of a modern technological society. This bill is overdue and has been long delayed.

We welcome parts of the Bank Act. For example, we welcome the clauses which deal with mortgage money and will allow chartered banks to enter into that field. Housing has been one of the most neglected areas of Canadian industry and the degree of neglect has reached a crisis point because owing to rising immigration our nation is facing a very serious housing crisis. The situation has reached the point where the proponents of public housing are suggesting that it is the task of the government to enter the field of housing to a far greater extent than it has done before.

I really cannot understand why this suggestion should be made even by the socialist representatives in this house because they should know from their reading about Sweden, that socialist state which is so often held up as an example to us, that that nation, which has a far smaller and far more stable and static population than that of Canada, has a severe, continuing and worsening housing shortage. If public housing and the socialist philosophy were the answer to the housing shortage, then if any nation in the world could show that this was the way to solve the housing problem surely Sweden would be that nation. Nevertheless I know from personal experience, having visited that country

in 1962, that the one complaint one heard there over and over again was that the government had not been able to meet the housing needs of that nation. Five years later we see that the situation there is worsening and that a way has not yet been found through the methods of socialism to solve their housing crisis. So it rings a little false in our ears when we hear pleas that the government should become involved in public housing.

We welcome the changes in the Bank Act which will allow the chartered banks to move into this area of money supply, and we hope that this will provide the housing industry what it has wanted for so long, a continuous and uninterrupted flow of mortgage money which will not be an instrument of monetary policy in the country but will guarantee a base from which that industry can plan and develop and use methods of production which are appropriate at this time.

There is one matter in the Bank Act which occupied a great deal of the committee's time and concerns us very much. I refer to the question of the interest rate. This is the really basic point of contention in the whole bill. This subject occupied much of the committee's time in its debate about commodities. The argument was advanced that if the prices of all commodities were increasing then the price of money had to go up as well. An analogy was drawn between the two, and there was a reason for that. Witnesses representing the chartered banks complained that they were limited in ways which the near banks were not and that this was related to the problem of the interest rate. They asked that the restrictions on the chartered banks be removed so they could raise the interest rate on loans. It was suggested that if the interest rate were raised they would be able to pay a higher interest rate on deposits, thereby attracting more deposits, and this way they would have more money to lend.

What should be kept in mind in this whole discussion of the interest rate is that the mechanics which I have spelled out do not in any way increase the money supply. This would remain constant. All it means is that the amount of money lent by the various institutions will be divided amongst them differently. If the banks are in a position to lend more, then somebody else will be lending less, but the over-all amount of money that will be lent will not be increased as the result of an increase in the interest rate.

An interesting fact I should like to mention is that this statement was made to us by representatives of the banks as a factual matter. They said that the simple truth was that if the banks could attract more deposits they could lend more money; if they could pay a higher interest rate they could attract more deposits and therefore the interest rate they could charge on their loans should be raised so as to attract more deposits. This was presented to us as a fact about which no questions should or could be asked.

Nevertheless questions have been asked. There is an important article in the Canadian Journal of Economics of August, 1966 which does ask questions with regard to the interest rate. The preamble to the article sets out the reason why the study was made, and I would like to quote from it at some length because I think it is important to the whole argument concerning the interest rate. It reads as follows:

> The primary purpose of this article is to perform a statistical test of the popular contention that interest rate differentials have been important determinants of the relative decline of the Canadian chartered banks in the competition for personal savings deposits. The report of the royal commission on banking and finance, in listing the various factors that influence the distribution of savings deposits among depository institutions, stated that, "the rate paid on deposits is also a very important factor in attracting funds . . ." The commission also commented that the fact that the banks have not paid as high rates as their competitors on personal savings deposits "has without question contributed to their relatively slow rate of growth." In support of these assertions the commission stated that, "there is evidence suggesting the force of interest rate competition. As an example, market rates and rates paid on such claims as trust and loan company liabilities rose quite sharply in 1959 while the banks' rate held steady as 2¾ per cent. In that year the share of personal savings deposits in the 'market' . . . declined more sharply than in previous years."
>
> The commission's evidence, it may be suggested, falls into the *post hoc ergo propter hoc* category. For example, the fact that the number of trust company outlets increased 5.3 per cent during 1958-59, compared to only 0.2 per cent on the average during the previous six year period, can just as easily be presented as the reason for the relative increase of trust company savings in 1959.

• (3:50 p.m.)

The study goes on at some length, and with considerable mathematical ability, to analyse the question to see whether these statistics could produce any conclusions regarding the ability of the chartered banks to attract deposits as opposed to credit unions or trust companies attracting deposits. I will omit the central material and go to the conclusions because I think they are important to the argument I am making.

> The principal conclusion to be drawn from this analysis is that a substantial portion of the ability

of credit unions and trust companies to compete successfully with chartered banks for personal savings deposits is attributable to product competition (through shifts in demand) rather than price competition. This suggests not only that the rates of interest paid on personal savings deposits may not be "very important" in contributing to the relative decline of chartered banks, but also that there may even be some question whether they have contributed to the decline at all.

Admittedly, and the author of the article admits it, the study is a tentative one. However, the point I make is that the study has been made and it has been made of Canadian institutions. When I inquired of the Bankers Association whether they had made any comparable studies, the answer was no. They had handed us an idea which, in spite of the Porter commission, can be questioned. There is serious doubt as to the validity of the entire argument presented by the Bankers Association in this field. I do not believe that the Bankers Association wishes to eliminate the finance companies from the Canadian scene. I suspect that they would not mind at all removing the credit unions from the Canadian scene in any way open to them. I doubt that they want to remove the trust companies because the chartered banks themselves are involved in the trust companies too heavily to wish to see them go.

At the same time I doubt that the chartered banks are at all interested in taking over the type of unsecured, high risk loan which the finance companies at present make. When I asked the banks if they would not prefer to see some ceiling put on the interest rates that could be charged by other institutions rather than have their interest rates set, they said no, they were not interested in that kind of control of other institutions. What they are interested in is the profit picture of the chartered banks. This, I would contend in spite of much of what was presented to us as evidence, is a far better picture than the evidence was supposed to convey to the members of the committee. Although the profit picture of some of the near banks is still ahead of that of the chartered banks, they have been coming together steadily and consistently over the last ten years and it will not be too far in the future when they will be comparable again without any change at all in the interest rate. When I asked Mr. Paton, who was appearing for the Bankers Association, if the profit position was satisfactory when compared with that of the near banks, his reply was that "a profit position can always be improved."

I should like to spend a little time on the question of the legislation as it relates to the Mercantile Bank of Canada. This is something that concerns the members of this house because it represents the Canadian government taking very strong, very deliberate action involving a chartered bank and setting very sharply a new set of regulations under which one of the chartered banks can operate in this country. In many ways I think this is the kind of firmness toward a chartered bank that Social Credit has expected of Canadian governments for many years but which has not been applied. Of course there is a difference here because this particular bank happens to be owned by United States interests.

We should not really forget the history of this event or the basic factor in the whole issue, namely, that the bank was purchased by the City Bank of New York from the original Dutch owners, so it was already in foreign hands. I should like to refer to the rather outstanding contribution to the committee that was made by the hon. member for York-Humber on the last day that representatives from the City Bank of New York and the Mercantile Bank were before us. The questioning came very late in the day and was totally unreported in the Canadian press, but it did a great deal to set in focus the important elements. This questioning was not reported in the press because at the moment the press of Canada prefers the black blacks and white whites of anti-Americanism and pseudo-patriotism. It is much easier to deal with than the very complex question of relating economically to our enormous neighbour to the south.

Some very interesting remarks were made yesterday by the hon. member for Nanaimo-Cowichan-The Islands. I am sure hon. members who listened must have thought he wandered far afield when he dealt at great length with the state owned bank in Australia as an example of nationalized banking as some sort of panacea for the economic ailments of the country. Then he was able to turn his argument to the question of the Mercantile Bank. Again, he was developing a very religious argument on behalf of state socialism with a faith which I think I could describe, Mr. Chairman, as touching. However, I am convinced that the platitudes of socialism remain platitudes whether they come from the land of the platypus or any other part of the world or whether it is the home grown variety that we have witnessed in the province of Saskatchewan.

• (4:00 p.m.)

What he was able to do with that carefully turned argument was to present to the minister a finely polished stone to kill two birds. He not only presented the stone to the minister but he also plucked both birds in advance. If the minister were to follow the advice of the hon. member for Nanaimo-Cowichan-The Islands he could reap all of the political benefits of being anti-American at the present time and also thrust socialism into the Canadian economy at one of the most crucial points.

Finally, Mr. Chairman, I feel there is one section in the Bank Act that is of great importance, and I refer to the amendments in the new legislation preventing the chartered banks from combining, co-operating and joining together to set interest rates. One is given cause to wonder why this provision is there. Has the minister become sufficiently certain of the future to suspect that this is going to happen? Somehow I doubt that he has the omniscience in regard to the future that the legislation would suggest. If he was so certain of the future I am sure he would never be involved in any conflict with his colleague the Minister without Portfolio.

I suspect that the legislation makes this provision because of what has happened in the past. As I say, it is very difficult to bring forward any evidence to prove that the chartered banks have combined to set interest rates in the past. Yet the provision is there, apparently as a purely preventative measure. I know how very difficult it is to obtain the sort of evidence that is necessary to convict Canadian companies under our anti-combines legislation. It is almost impossible to gather data that is sufficiently definitive to bring about a conviction, and I am sure it would be even more difficult to prove that the chartered banks of Canada had conspired to set an interest rate. Although in a way the legislation is a good thing—

The Chairman: Order. I must advise the hon. member that the time allotted to him has expired.

Mr. Johnston: Mr. Chairman, if I may have the indulgence of the Chair and of the committee, I have almost finished my remarks.

Some hon. Members: Continue.

Mr. Johnston: May I just say that I think this provision represents a bit of wishful thinking on the part of the minister and the government and I do not think that the Canadian people will be beguiled by it when the bill is passed by the house, as I am sure it will be. I doubt that any case could ever be launched under this provision when it is passed, and certainly no case could be brought to the point where a conviction would be secured.

We have heard in this chamber an attack on co-operatives, an attack against those producers at the primary level who have banded together in order to provide themselves with a more sustained income than they could ever receive with each trying to market his product individually. I suggest that one of the real causes of high prices in Canada has been the combining of companies at the top level. One of the continuing problems in the Canadian economic system has been the power of the chartered banks to come to mutually favourable decisions through consultation one with another. I doubt that this legislation, good as its intentions may be, will ever end this situation.

[*Translation*]

Mr. Clermont: Mr. Chairman, I am pleased to add my thanks to those which have already been expressed for the wonderful co-operation given the committee on finance, trade and economic affairs in the study of Bill No. C-190, an act to amend the Bank of Canada Act, Bill No. C-222, an act respecting banks and banking and Bill No. C-223, an act respecting savings banks in the province of Quebec, by the hon. Minister of Finance and Receiver General (Mr. Sharp), and his parliamentary secretary (Mr. Chrétien), by Mr. Louis Rasminsky, governor of the Bank of Canada, and by the deputy governors, by Mr. Maurice Ollivier, law clerk and parliamentary counsel, as well as by officials of the public service, namely Mr. C. F. Elderkin, special adviser to the Department of Finance and former inspector general of banks, to whom the committee is greatly indebted, Mr. J. W. Ryan, of the Department of Justice, and Mr. W. K. Scott, inspector general of banks.

I also wish to thank the persons, groups and associations who willingly made known their views on those various bills, the chairman of the committee, the hon. member for Essex West (Mr. Gray) and the deputy chairman, the hon. member for Quebec-Montmorency (Mr. Laflamme) and our dedicated secretary of the committee, Miss Dorothy Ballantyne, our researchers, Miss M. R. Prentis and Mr. Denis Baribeau, our interpreters and translators, in short, the whole staff assigned

to the preparation of the minutes of proceedings and evidence.

• (4:10 p.m.)

Mr. Chairman, I also feel bound to point out the effective work performed by committee members and by other colleagues who took part in this decennial review.

Allow me, Mr. Chairman, to submit an analysis of Bill No. C-222, an act respecting banks and banking. Financial systems all over the world have experienced a record increase in the demand and the resultant upward trends of the rate of interest.

It is customary in Canada to effect every ten years a thorough study of the country's banking legislation and to renew bank charters.

On October 18, 1961, was set up a royal commission under the chairmanship of Chief Justice Dana Porter on our banking and financial system. In the spring of 1964, on April 24, the commission published a far-reaching report on its work and studies.

Several recommendations were made and I believe the main recommendations are the following: greater competition between our banking and financial institutions to give an adequate choice to the borrowers or the depositors; allow the banks to lend on ordinary mortgages; eliminate the ceiling on the interest rates; disclosure of the actual total costs of loans or advances; greater disclosure of the accumulated reserves for losses on loans and investments; allow the banks to raise capital through sale of non-guaranteed bonds; opening in Canada of agencies such as Canadian banks have in New York and in San Francisco, U.S.A.

Mr. Chairman, as for greater competition, the commission recommends that the Minister of Finance and Receiver General be given the powers to prevent agreements between banking institutions on loans and borrowing. Clause 138 provides for the prohibition of such agreements.

As for the right of banking institutions to have common directors, subclauses 6 (b) and 7 (c) of clause 18 govern their number and eligibility.

Furthermore, the commission recommends a limitation of the powers of banking institutions to invest in non-banking and non-financial institutions. Subject to certain provisions, clause 76 of the bill respecting banks and banking restricts such participation to 10 per cent.

The introduction of banks into the field of ordinary mortgages should increase the supply of mortgage money and relieve the need for borrowers to apply to a more onerous market for second mortgage loans.

Mr. Chairman, here are some comments from the report of the Royal Commission on Banking and Finance.

The commission says, on page 364 of its report:

> At the same time, the entry of the chartered banks into conventional residential lending would do much to improve this part of the capital market: access to mortgage security would enable the banks to improve their service to business borrowers, particularly smaller enterprises.

On page 367 the commission adds:

> If it is demonstrated, however, that bank lending in this area would have so sudden an impact on other lenders as to hinder the long-run objective of developing a larger group of well-established banking institutions, some temporary limit might be placed on the annual rate of conventional residential lending by the present chartered banks.

Clause 75 of this bill gives to the banks the power to make conventional mortgage lending subject to the limitations of subclauses (3) and (4) of that clause.

Mr. Chairman, with regard to the removal of the interest rate ceiling, clause 91 of this bill for the time being, brings only a certain relaxation of the ceiling; it provides for its removal when the general level of interest rates has appreciably decreased.

I think that it is better to have a transitional period in order to avoid doubts, apprehensions which might result from the removal of the ceiling at the height of a period of tension.

The Porter commission brought forward some arguments in that respect, and I now take the liberty of quoting a few. On page 364, the commission said:

> The prohibition on conventional mortgage lending by chartered banks and the interest rate ceiling are the most serious barriers to free market forces in the present chartered banking legislation.

Again on page 364, the commission said:

> We recommend that it be removed regardless of other changes in the legislation. The ceiling stands in the way of flexible lending by the banks in that it frequently prevents them from making loans on which higher rates must be charged to cover administrative costs and risks.
>
> Obviously, this is to the banks' disadvantage; more importantly, however, it discriminates against borrowers such as small businesses which, if they are to obtain funds at all, must turn to other lenders which charge rates well above those the banks would ask if free to do so.

On the same page, the commission recommends:

The removal of those two restrictions, that is the 6 per cent interest rate ceiling and the prohibition on mortgage lending by the banks, because they interfere with competition, they decrease the supply of essential financial services and force the borrowers to apply for funds to costly sources.

Again on page 364, the commission said:

When market rates are high, banks would undoubtedly raise their own lending charges but the force of competition and the higher deposit rates necessary to attract funds would temper the tendency for bank earnings to rise and thus limit the amount of additional business they are able to obtain.

Also on page 364:

As already noted, the banks have only been able to compete in the personal instalment loan market —in which they have substantially improved the facilities and lowered the average cost of funds.

With regard to the disclosure of real and total borrowing charges on a loan or an advance, clauses 92 and 93 will oblige the banks to do so when they issue credit to a person with regard to loans or advances payable in Canada, or will give a person a loan or an advance payable in Canada.

Clause 60, subclause 2, paragraph (c) and the new Schedule "P" will oblige the banks to disclose to their shareholders, the Minister of Finance and the general public, their reserve accumulated for losses on loans and investments. Also clause 60, subclause 2, paragraphs (a) and (b), clauses 103 and 106 and the amended Schedules M, N, O and Q will submit more information on revenues, expenses, assets, liabilities, accumulated credits, to cover losses incurred by the bank on its investments and loans profits not carried, and those statements, will go either to the Minister of Finance or to the general inspector of banks, or to the shareholders and the public.

If the Canadian parliament passes clause 77 as it appears in the reprinted Bill No. C-222, banks will be authorized to issue unsecured bonds.

• (4:20 p.m.)

Clause 88(5)(b) of Bill No. C-222, read for the first time on July 7, 1966, reads as follows:

—claims not exceeding five thousand dollars in any one case for money owing by a manufacturer to a grower of perishable products of agriculture that are direct products of the soil for such products grown by the grower on land owned or leased by him and delivered to the manufacturer during the said period of three months—

Mr. Chairman, this same clause as amended adds the dairy products to the perishable products, and the maximum has been raised from $5,000 to $7,500. The period that immediately precedes the date when this order has been made or this assignment completed will be six months instead of three.

As regards the establishment of agencies in Canada, I agree with the views expressed in the 22nd report of the committee on finance, trade and economic affairs, tabled in the house on Friday, March 10, 1967.

Mr. Chairman, several other questions were examined and discussed before the committee, as for instance the definition of banking operations and of the dividing line that should be drawn between banks and other institutions. In this connection, following the evidence given by a witness who had just expresed his views concerning the definition of banking operations, I remember having said the following:

I believe, Mr. Chairman, that the members who were in charge of the 1954 decennial revision acted in a wise and practical way when they gave the following definition of a bank: Bank means a bank referred to in Schedule A, to which this act applies (Section 2, subsection 1, paragraph (c) and Section 4, paragraph (a). The Porter commission says the following, concerning such a definition, on page 411:

—As far as we have been able to determine, Canada is not alone, for we have not come across an exact definition of banking in the statutes of any country, in view of the difficulties of a narrower definition.

As regards activities of foreign banks in Canada, the committee held several meetings in that connection. Our banking legislation never stipulated anything concerning the establishment of agencies in Canada, even though Canadian banks have an important volume of business operations abroad. At present, the legislation concerning banks and banking operations does not prevent any foreign bank or any other group of non residents from acquiring a majority percentage or all the shares of an existing Canadian bank or applying to the Canadian parliament for a new charter. I should like to quote some comments of the Porter commission as found on page 374 of the report.

Ownership of one bank by another is a somewhat different matter. While this has been prohibited among Canadian chartered banks, and should continue to be, no such prohibition applies to the acquisition of part or all of a Canadian bank's capital by foreign banks. Of course, if foreign banking interests want to establish a new bank in Canada, they—like any other group—are required to obtain Treasury Board approval. However, there is no provision for the authorities to control in

any way their buying stock in an existing bank and thus acquiring an established position in the Canadian banking system. Having regard to the large concentrations of economic and financial power which are sometimes centered in large foreign banks, we regard this as an anomaly which should be corrected.

As concerns the purchase of a majority of shares by residents or non residents, the provisions of Clause 54, sub-clause 2 of this bill would prohibit such a purchase.

"Subclause (2) of clause 56 provides as follows, with regard to a non-resident, a group of non-residents or a foreign bank which held stock on September 22, 1964."

Where more than fifty per cent of the issued and outstanding shares of the capital stock of the bank were held on the 22nd day of September, 1964 in the name or right of or for the use or benefit of one non-resident, sections 53 and 54 do not apply to or in respect of the bank; but if at any time thereafter there is no one person in whose name or right or for whose use or benefit more than ten per cent of the issued and outstanding shares of the capital stock of the bank are held, those sections apply from and after that time to and in respect of the bank.

And the following amendment was approved by the committee:

Where more than twenty-five per cent of the issued and outstanding shares of the capital stock of the bank were held on the 22nd day of September, 1964, in the name or right of or for the use or benefit of any one non-resident, the bank, so long as the total number of shares of the capital stock of the bank held by non-residents exceeds twenty-five per cent of the total number of issued and outstanding shares of the capital stock of the the bank,

(a) shall refuse to allow a transfer of a share of the capital stock of the bank to a non-resident to be made or recorded in a register of transfers of the bank unless the transfer is from a non-resident and to any associates of the non-resident; and

(b) shall not accept a subscription for a share of the capital stock of the bank by a non-resident; but if at any time after the 22nd day of September, 1964, there is no one person in whose name or right or for whose use or benefit more than ten per cent of the issued and outstanding shares of the capital stock of the bank are held, this subsection ceases thereafter to have any force or effect.

Note that should this amendment be passed by parliament, it will no longer be possible for the First National City Bank to dispose of 75 per cent of its shares in the Mercantile Bank of Canada to enable the latter to increase the amount of its total assets (including paid up capital, general reserve and undistributed profits) to more than 20 times its authorized capital to other non-residents, whereas it could so at the present time.

The committee also approved an amendment to section 75 (2) (g) which is very important. It was moved by a government member, seconded by a member of the opposition and unanimously endorsed by the committee.

Clause 72 will change the amount of cash reserve of the bank, which is now the equivalent of 8 per cent of its deposit liabilities and which is payable on demand, in Canadian currency, to make it 12 per cent of its deposit liabilities, which is payable on demand in Canadian currency, and 4 per cent of its deposit liabilities, which is payable after notice in Canadian currency; this gives an average of about 6.6 per cent.

That cash reserve which the bank has to maintain according to subclause 1 of clause 72,—during any month following the 12th month posterior to the coming into force of the present bill, if the Bank of Canada so requires, must not be inferior on the average during each of these two separate periods constituted, the first one by the first 15 days of the said month and, the second, by the remaining days of the said month.

If the Bank of Canada so requires, the bank shall maintain, in addition to its cash reserve, a secondary reserve.

In concluding, Mr. Chairman, I suggest to the hon. members to read—as the member for Perth (Mr. Monteith) has also suggested—the recommendations of the 22nd report of the committee on finance, trade and economic affairs, tabled on March 10, 1967.

[*English*]

Mr. Lambert: Mr. Chairman, as has been indicated by my hon. friend from Perth and again by the hon. member for Labelle, the committee met on some 70 occasions, as reflected in about 36 reports of its proceedings, to consider Bills C-222 and C-223.

It is true there were some odd interludes at times and one in particular which I thought was out of place. Somehow or other, because the committee happened to be sitting it was felt that it should be used as a forum for the airing of private views with regard to internal matters in connection with a chartered bank. I trust that particular incident will not serve as a precedent for any other type of organization which may be remotely connected with finance, trade and economic affairs, and that committees will not be used to provide a forum for the settlement of domestic disputes. Such a practice ought to be stringently applied by other committees of the house, including that on broadcasting.

• (4:30 p.m.)

I would add my words to those of the hon. member for Labelle with respect to the good working spirit that developed among the members of the standing committee, and I

particularly want to commend the work of the chairman. Sometimes it is a little difficult to work under certain chairmen but as a result of our protracted hearings on this very important bill a good working relationship developed between the Chair and committee members, and I want to be among the first to congratulate the hon. member for Essex West on his performance as chairman, sometimes under rather difficult and enthusiastic conditions. I hope we will be able to continue with him in that position for some limited time anyway. I shall not wish him a long tenure of office because others might object to that.

I would like to point out to this chamber and to the country the value of the hearings that were held on this important legislation. This is the decennial revision of the Bank Act. To those who would say that committee hearings are of little or no value I would point out that the work of our standing committee gives the lie in their teeth. As a result of the committee hearings the government has proposed some 70 or 80 amendments to the bill. I do not say this is entirely to the credit of the government, considering that the present Bank Act has been in existence since 1954, that there were numerous hearings held by the Porter royal commission, and that the government put forward its proposals originally in Bill C-102. One must presume that the government's thinking had matured when it reached the point of presenting Bill C-102 but, lo and behold, that bill was never discussed in this house and now we are faced with Bill C-222 which in many respects is a radical departure from some of the proposals in Bill C-102.

Because of that I trust the Minister of Finance has urged his erstwhile predecessor and now new colleague, the Minister without Portfolio, the hon. member for Davenport, to participate actively in the debate on this bill. I am not trying to be facetious or to promote mischief when I say so. The hon. member for Davenport had definite ideas about controlling banks and about the development of banking in Canada. These ideas were evidenced in Bill C-102. But since that time many changes have taken place respecting incorporation, certain types of control, shareholdings, the limitation on the interest rate ceiling and a number of other features. These changes are reflected in Bill C-222 and we are entitled to know why these changes have been made in this legislation.

The hon. member for Davenport was in the chamber a few moments ago but slipped away. I had hoped he would stay to hear my direct invitation to him to participate in the debate at the appropriate stages because I want to get the benefit of his thinking, particularly in view of the fact that he is the chairman of a committee inquiring into the extent of foreign holdings in Canada.

There is controversy within the government on how clause 75(2)(g) should be modified, as to how far the Mercantile Bank of Canada should be Canadianized, and as to how far the proposed provisions Canadianize our Canadian banks. This new legislation will be in force for ten years and therefore we should hear these conflicting points of view to determine their value before the house makes its final decision on the legislation.

I regret that the hon. member for Nanaimo-Cowichan-The Islands is not in his seat today. Yesterday we had the benefit of hearing his views, and I must say I was disappointed. Since he has served for two sessions as a member of the banking committee I thought the hon. member would have lost his doctrinaire approach to banking and the fetish he seems to possess with respect to nationalization of our banking system. I must confess that he left me behind a long time ago with his tortuous thinking in regard to the nationalization of the banking system and the advantages he claims would accrue to the country if banks were nationalized.

Mr. Lewis: May I ask the hon. member a question?

Mr. Lambert: The hon. member for York South can bide his time. I have but 20 minutes in which to speak.

Mr. Lewis: Then may I rise on a point of order?

Mr. Lambert: A point of order?

Mr. Lewis: Yes, sir. My point of order is that the hon. member for Edmonton West is misrepresenting what the hon. member for Nanaimo-Cowichan-The Islands has said. He never suggested nationalizing the banking system. He was talking about taking over the Mercantile Bank.

Mr. Lambert: If I may say so, Mr. Chairman, if ever there was a spurious point of order this is one. In fact it is an argument which the hon. member can put forward when he participates in the debate.

Mr. Lewis: Would the hon. member allow me the floor to ask a question?

Mr. Lambert: The hon. member does not have the right to the floor to ask a question. I have had the privilege of sitting on the banking committee much oftener than the member for York South and I have heard enough asides from his colleague, the hon. member for Nanaimo-Cowichan-The Islands, to suggest that there is more than just the Mercantile Bank within his gunsights when he is talking about nationalization.

I must express, as I did in the standing committee, extreme disappointment with this legislation. As I say, the Bank Act has been in force since 1954 and we have seen the development of banking practices and of near banking practices since that time. Further, the Porter royal commission held many hearings and produced a monumental report which contained one key recommendation. It was not its most important recommendation but it was part of the central core of a package deal, and that was the control over near banks. Bill C-102 proposed nothing with regard to near banks and Bill C-222 does nothing with regard to them.

Mr. Sharp: Mr. Chairman—

Mr. Lambert: The minister will have plenty of time to speak. I have only 20 minutes at my disposal. I can resume this theme if he wishes. I hope we will have a healthy exchange of views, but if the minister will only contain his impatience he will get the true perspective of what I want to say.

• (4:40 p.m.)

I would think the control of near banks could be efficient under the act and its regulations as they now exist. Regardless of where these near banks are located it is obvious that provisions for inspection and control will not be the same as those which apply to the commercial and private banking system in this country. The act could have been divided into two parts. The first part could apply to commercial banks and the second part could apply to near banks. Instead of that we have suffered financial crises, strong pressures from external forces and three changes of mind on the part of the government in respect of deposit insurance. The government has also said that deposit insurance is an interim measure and we must look at the situation regarding agencies operating in Canada with a view to providing certain specific regulations. All I can say is, this is a terrible way to run the store. This is a slipshod practice. We are applying one plaster to another, putting one bandage on another, with the hope that the wound will cure itself.

It has always been my belief that with an appropriate definition of the business of banking we could have a great deal more control. The act indulges in the luxury of using the term "business of banking" and states that no one can commence the business of banking until certain things happen. What is the business of banking? The act is strangely silent. It says one must not indulge in certain practices until something happens but it does not say what that practice may be.

Many people have suggested that it would be difficult to define banking. Some are afraid to define banking at this time because such a definition might not cover the practices of dealing with the credit and money deposits which may exist in 1970. Someone in some court might say that the 1970 practices did not exist in 1967. It is argued for this reason that it would be difficult or imprudent to confine the practice of banking to a certain definition.

It is my suggestion that it is within the realm of human possibility to define banking in such a way that the definition will grow and change with circumstances. Let me refer hon. members to certain precise definitions of banking and the practices of banking. Before doing so let me say that I am concerned about definitions in respect of banks, banking, interest and currency because jurisdiction in this regard is confined to the federal level by the British North America Act. The federal government has exclusive jurisdiction to deal with these matters. Provincial governments have at different times attempted to assert some authority in this field. The province of Alberta, under the excessive zeal of the Social Credit administration, attempted to do a number of things regarding credit. It was finally decided that the province could not carry out these things because they were outside the jurisdiction of a provincial administration.

Let me refer the members of this committee to a definition of banking by Professor E. P. Neufeld:

> —a bank is certainly a financial intermediary, and that a financial intermediary is a bank to the extent that it accepts deposits and to the extent that these deposits are used directly or indirectly as a medium of exchange; directly in the sense that cheques can be written against them, and indirectly in the sense that they may be moved very freely into cash or cheques or orders which are drawn against chequable accounts, and the question really is do the non-banks have deposits of this kind in sufficient size to justify their being controlled?

That could not be accepted as a judicial definition of banking, but certainly any institution whose deposits or liabilities enter the stream of credit or as a form of exchange is engaged in banking.

What actually forms the basis for a definition of banks and banking institutions? Regardless of parentage, if institutions engage in the practices of banking then they must conform to federal regulations in the same way that broadcasting companies and air line companies must conform to federal regulations. Air line companies may have provincial charters but they cannot purchase aircraft unless they have a certificate of airworthiness from the federal authority. They cannot put a radio in an aircraft unless they have a licence from the federal authority. They cannot fly the aircraft unless they conform to federal regulations. There are no provincial regulations of any kind in this regard. I submit to the committee that the argument that because trust companies or other companies have provincial charters they are ipso facto under the full control of the provincial authority thus falls to the ground.

• (4:50 p.m.)

Let us look at some of the traditional definitions of banking. Going back some distance in time, Halsbury's Laws of England, third edition, page 151, defines the business of banking as the receipt of money on current or deposit accounts and the payment of cheques drawn by, and the collection of cheques paid in by, a customer. Then let us look at the definition by the appeal court in a Canadian case. The Privy Council stated:

> The legislative authority conferred by these words—

They were referring to the words of section 91 of the British North America Act concerning banking.

> —is not confined to the mere constitution of corporate bodies with the privilege of carrying on the business of bankers. It extends to the issue of paper currency, which necessarily means the creation of a species of personal property carrying with it rights and privileges which the law of the province does not, and cannot, attach to it. It also comprehends "banking" an expression which is wide enough to embrace every transaction coming within the legitimate business of banker.

This definition was given in the case of Tennant *v.* The Union Bank of Canada (1894) Appeal Cases, at page 31. I have quoted this definition given in 1894 to deal with the argument that a definition shall fix the entire ambit of banking. Let us consider another case much closer in time which was heard in the late 1930's. This was the reference on the

Alberta statutes, reported in Supreme Court Reports (1938), at page 100, and affirmed by the Privy Council in Appeal Cases (1939), at page 117. In the judgment of the Supreme Court of Canada Mr. Justice Duff said:

> First, as to banking. A banker has been defined as "a dealer in credit". True, in ordinary speech, bank credit implies a credit which is convertible into money. But money as commonly understood is not necessarily legal tender. Any medium which by practice fulfils the function of money and which everybody will accept in payment of a debt is money in the ordinary sense of the words even although it may not be legal tender; and this statute envisages a form of credit which will ultimately, in Alberta, acquire such a degree of confidence as to be generally acceptable, in the sense that bank credit is now acceptable; and will serve as a substitute therefor.

There is a further case on this point, the Attorney General for Canada *v.* the Attorney General for the province of Quebec. It was heard in 1947 and was one of the last references placed before the Privy Council. It is interesting to note that in 1947 the province of Quebec purported to legislate an act respecting certain vacant property without owner. The purpose was to deal with deposits with the chartered banks which had been untouched, unreferred to and were really considered to be abandoned after a period of 30 years of inactivity. The province of Quebec legislated to the effect that they should now become vacant and fall to His Majesty the King in right of the province of Quebec. The provincial act provided that whenever deposits of money and of securities and all credits in specie or in securities in credit institutions and all other establishments which receive funds or securities on deposit have not been for 30 years or more the subject of any operation or claim by the persons entitled thereto, they, with the fruits thereof, are to be deemed to be vacant property and without an owner, belonging to His Majesty in right of the province. This is what the court said:

> The matter which their lordships have to determine is accordingly whether the transaction of receiving from depositors bank deposits and repaying those deposits to the depositors, comes within the legitimate business of a banker. Prima facie it does—

The judgment continues as follows:

> In their view, a provincial legislature enters on the field of banking when it interferes with the right of depositors to receive payment of their deposits, as in their view it would if it confiscated loans made by a bank to its customers.

Here their lordships were citing the former Alberta case.

> Both are in a sense matters of property and civil rights, but in essence they are included within the category of banking.

In this regard I would say that the proposals announced today with regard to certain taxes on banking profits under the guise of deposit insurance could run up against this particular case. I am just making an observation at this stage, Mr. Chairman, that I think the legislation may be in for a rough passage. I should like to conclude this stage of my remarks by referring again to what the Privy Council had to say in connection with the Alberta reference.

> The question, therefore, is whether operations of this sort fall within the connotation of "banking" as that word is used in section 91 of the British North America Act. Their lordships entertain no doubt that such operations are covered by the term "banking" in section 91. The question is not what was the extent and kind of business actually carried on by banks in Canada in 1867, but what is the meaning of the term itself in the act. To take what may seem a frivolous analogy, if "skating" was one of the matters to which the exclusive legislative authority of the parliament of Canada extended, it would be nothing to the point to prove that only one style of skating was practised in Canada in 1867 and to argue that the exclusive power to legislate in respect of subsequently developed styles of skating was not expressly conferred on the central legislature. Other illustrations may be drawn from section 91 as it stands: take, for example, head 5, "Postal Services". In 1867 postal services in Canada were rendered by the help of land vehicles, but nobody could contend that the modern use of aeroplanes for carrying mail is, on that account, not within the phrase. The concept of banking certainly includes the granting of credit by banks; "a banker," as Chief Justice Duff said in dealing with the Alberta legislation reference, "has been defined as 'a dealer in credit'." Whether the expansion of credit now effected by bankers' advances is regarded as wise or unwise, as just or unjust, as economically desirable or economically unjustifiable, does not, in the view of their lordships, affect the point here at issue at all. If it is fairly included within the conception of "banking" it is a matter exclusively reserved for the legislature of Canada.

• (5:00 p.m.)

I apologize to hon. members of the committee for making these rather extensive references to judicial definitions of banking. I do so because there have been so many arguments advanced as to the difficulty of a statutory definition of banking and as to the wisdom of incorporating within the Bank Act a definition of banking. For this reason I felt constrained to say that those arguments have no basis and it would have been far more preferable for the government to have defined banking within section 2 of the act and not leave it to one of the anterior sections to simply say that one must not use the terms "bank" or "banking" and that is the only prohibition. Therefore the act could have been constituted differently and we could have had proper control of banking practices in this country where it belongs, under the aegis of the parliament of Canada. Any institution that wanted to enter this particular field would then have had to submit to proper control. It is only in this way that the Minister of Finance will be able to control the monetary destiny of this country.

Mr. Wahn: Mr. Chairman, a comparison of this bank bill with the 1964 Porter report on banking and finance establishes that the bill will mark a major step toward the more creative, competitive and efficient banking system which was the objective of the Porter recommendations.

This revision of the Bank Act was originally introduced in May, 1965 by the former minister of finance. It was reintroduced in substantially the same terms earlier this session by the present Minister of Finance. The basic principles have been fully discussed at the resolution stage and on second reading, and a particularly thorough and helpful review was conducted by the standing committee on finance, trade and economic affairs which met under the able gavel of its chairman, the hon, member for Essex West, and its vice chairman, the hon. member for Québec-Montmorency.

Tributes have been paid from all sides of the house to the effective and non-partisan work of the finance committee. I will not repeat them except to say that I believe that most members of the finance committee are convinced as a result of their experience that the new committee system can perform a most valuable function in helping to make parliament an effective instrument of action and reform, which is the objective of all members of the house. In the course of the prolonged committee hearings there was an almost complete lack of active partisanship, and throughout the hearings the issues were examined in a rational and constructive manner by committee members of all parties.

This bill has reached its present stage after a very long process of careful consideration. Indeed, the hon, member for Perth has complained about the delay. The time has been well spent. Banking is basic and vital to our economy. We were wise to proceed with care.

The hon. members for Perth and Edmonton West have attacked the bill because it does not cover near banks. The near banks could not be dealt with in this decennial revision for practical reasons which I will mention a little later. My personal opinion is that they

should be covered in the next decennial revision. Under the B.N.A. Act, parliament undoubtedly has exclusive jurisdiction over banking. The Porter commission recommended that the banking operations of all these corporations should be subject to federal regulation. This has not been done under this bill. The deposit insurance legislation passed this session will be of great help but it will not provide the entire answer. Indeed it is a startling fact which no member of this house should forget, that the Bank Act does not control any corporation, federal, provincial or foreign, carrying on banking provided it does not call itself a bank. I think something should be done about this but, as I said, for practical reasons I do not think it can be done in this decennial revision.

Certainly it is difficult to develop a completely accurate definition of banking, and we must guard against invalidating our important banking legislation by going too far and exceeding our jurisdiction. It seems to me that we could avoid all such technical legal difficulties by requiring all corporations carrying on banking within the meaning of the B.N.A. Act to obtain a licence under the federal Bank Act. If a particular corporation disagreed with the department on whether it was carrying on banking within the meaning of the B.N.A. Act, the issue would be determined by the courts. By making decisions in specific cases the courts would in time develop a satisfactory definition of banking within the meaning of the B.N.A. Act. For this reason I am not sure that we need a statutory definition of banking as suggested by the hon. member for Edmonton West.

Our financial legislation since confederation has tended to divide and isolate our financial institutions in separate compartments —chartered banks, trust companies, insurance companies, finance companies, and many others. Rapidly changing conditions have rendered this technique obsolete. Their functions overlap, and in order to remain competitive with other countries we must be prepared to break down the watertight compartments. This was recognized and recommended by the Porter commission. However, as I have said, this principle could not be made effective in this decennial revision. Before the numerous and various types of corporations now carrying on banking functions in Canada are made subject to federal banking regulations we must make sure we are in a position to enforce the highest standards of responsibility and inspection and to maintain effective monetary control of our economy. This is of prime importance and must not be sacrificed under any circumstances.

If all these corporations are to be made subject to the Bank Act, presumably they must have essentially all the rights and obligations of chartered banks such as the security provisions under clause 88, or else it should be abolished altogether. They must have access to the Bank of Canada as lender of last resort. They must have clearing house privileges and all the other special privileges of chartered banks. Similarly, they would be required to maintain cash reserves with the Bank of Canada and presumably be subject to restrictions as to interlocking directorates and ownership and control in the same way as are the chartered banks. The problems involved here are not problems of theory nor are they constitutional problems. They are very practical problems. They are not insoluble, but they could not be solved in time for this decennial revision. They should be tackled, in my opinion, in the next decennial revision.

Up to the present time we have had a nice cosy club in Canada limited to eight chartered banks, the Bank of Canada and the Department of Finance. There has been the utmost co-operation among the chartered banks and the Bank of Canada in monetary policy. Their informal methods have worked well because there are only a few people involved who know each other well and are on a first name basis. There are Earl and Allan and Arnold and Louis and Jean and Bill and Neil and a few others. They understand one another. It is true that Earl likes to talk and you can never be quite sure what he is going to say next. He even writes letters to members of parliament an unusual procedure and one which lowers the tone of the club a bit. However, he means well and it works out all right. It is a respectable, well padded, well tailored group and though it may amuse or annoy us at times, depending upon our temperaments, unquestionably this banking club or establishment has served Canada well up to the present time. The great majority of Canadians are proud of the Canadian banking system despite its many imperfections.

Will the system work equally well if the club is thrown wide open to an assorted group of trust companies, loan companies, mortgage companies, investment companies, finance companies and other companies carrying on miscellaneous banking activities and of varying sizes and financial responsibility? Where will the line be drawn? Will it be possible to reach quick and effective agreements

and maintain proper monetary control under these circumstances? Clearly the practical problems are great. Nevertheless they must be solved. I am sure they will be solved. The day of the exclusive club is over. It must be thrown open and the winds of competition and change must be permitted to sweep through. This can be done.

• (5:10 p.m.)

It is clear from press reports and newspaper editorials that there is a great deal of misunderstanding about the provisions of the bill relating to take-overs of Canadian banks. One of the basic recommendations of the Porter commission was that action be taken to prevent foreign take-overs of Canadian financial institutions, particularly chartered banks. It is essential that control of these institutions should be retained in Canada. Moreover, to guarantee the independence of the chartered banks and to prevent undue concentration of financial power it is desirable to prevent any one corporation or group, whether Canadian or otherwise, from gaining control of a chartered bank by buying up its shares. These principles were expressed clearly in the house by the former minister of finance on September 22, 1964, when he said:

> It has been evident for several years that there has been increasing concern about the problem of retaining Canadian ownership and control of Canadian enterprises and in particular of our financial institutions ... The report of the royal commission on banking and finance published earlier this year also expressed concern about Canadian control of financial institutions, particularly banks ... Provisions relating to this matter ... will be included in the bills to amend the bank acts and these would also be effective after today to the extent that I have indicated for insurance, trust and loan companies.

These provisions were included in the original revision of the Bank Act introduced by the former minister of finance and reintroduced by the present Minister of Finance. Consistent with these principles, the bill provides in effect that if a Canadian chartered bank now has more than 25 per cent non-resident ownership, no transfers to non-residents will be permitted which will increase further the percentage of non-resident ownership. But if the percentage of non-resident ownership in a Canadian chartered bank is less than 25 per cent transfers to non-residents will be permitted unless the result would be to increase non-resident ownership to more than 25 per cent.

Moreover, these sections provide that if at the present time a Canadian chartered bank has more than 10 per cent of its shares owned by any person or group of related persons, then no additional transfers can be made to such persons which would increase the percentage which they own. But if there is no person or group of related persons who own 10 per cent of the stock of a Canadian chartered bank, then any transfers are permitted unless they would increase the holdings of any person or group above 10 per cent.

These provisions apply generally to all chartered banks, whether Canadian or foreign owned. They are not discriminatory. They apply equally to a Canadian owned bank as well as to Mercantile. They are not retroactive. They do not require non-resident ownership of a chartered bank to be reduced to 25 per cent if it is now over 25 per cent, nor do they require ownership by a single person or group to be reduced to 10 per cent if it is now over 10 per cent. If these limits are now exceeded they can stay that way whether the bank is the Royal, the Commerce, the Nova Scotia, the Mercantile or any other. But in future no transfers will be permitted which would increase such holdings further beyond those prescribed limits. I might add that, as hon. members know, bank stock is frequently held in the names of brokers, trustees or other agents, and in the past there has been no procedure for determining the names or residence of the owners of the stock. For this reason I do not believe we know for certain what percentage of the shares of our Canadian chartered banks are now owned beneficially by non-residents or by a single person or group.

This bill contains an additional provision which limits the total liabilities of a chartered bank to not more than 20 times its authorized capital stock. This provision applies only if more than 25 per cent of its issued shares are held by any one person or related group whether resident or non-resident. If enforced rigidly this provision might prevent the profitable growth of a bank, and in the case of a small or newly incorporated bank it might be desirable to have strong interests in control for a period of time until the bank became well established and able to compete on a fair basis with the other well established Canadian chartered banks. For example, the Bank of Western Canada has been given a ten year period within which to comply with this particular provision. When they appeared before the finance committee, officials of the Mercantile Bank argued strongly that this provision would prevent any further growth

since Mercantile's liabilities already exceed slightly the prescribed amount. Citibank, the owner of Mercantile's outstanding shares, took the position that when it acquired the shares from the original Dutch owners in 1963 it did so quite legally and that it had no adequate warning of legislation to restrict Mercantile's growth before becoming firmly committed to the purchase. It claimed that this particular provision was retroactive, discriminatory and punitive.

As a result of questioning by members of the committee it became apparent that officials of Citibank knew or had good reason to suspect that the Canadian government was opposed to the acquisition before Citibank became firmly bound to proceed. In effect, the legislation gave Mercantile and its owners a number of options, either to reduce its non-resident ownership to 25 per cent or to remain at its present size or to have its future authorized capital, and therefore its size, strictly regulated by the Canadian government.

Members of the committee and the general public were, I believe, satisfied that in the circumstances these options were not retroactive, discriminatory or punitive but on the contrary were entirely fair. It was essential that the fairness of this legislation should be clearly established. Canada's growth and prosperity in the past have depended very substantially upon capital and technology from abroad. Our need for foreign capital and technology will not continue indefinitely but it will continue for many years. To develop our resources we will need for many years far more capital than we can provide from our own savings. I believe that this fact of life is accepted by all members of the house.

In recent years there has been a world wide shortage of capital, and interest rates and other costs of obtaining capital have therefore been high. Many countries are competing for the available development capital. Canada's ability to obtain such capital in the past on favourable terms has been based primarily upon the assurance that foreign investors are welcome here and that they will be treated fairly. It is perhaps just one application of a principle which has been established for at least 3,500 years, and is expressed in Leviticus, chapter 24, verse 22:

> Ye shall have one manner of law, as well for the stranger as for one of your own country.

The same idea, Mr. Chairman, is well expressed in a recent publication prepared by

[Mr. Wahn.]

the director of the institute of intergovernmental relations as Queen's University for a leading financial house in Toronto. It reads:

> The most important thing in the long run is the atmosphere of confidence, or lack of it, that exists among foreign investors with reference to Canada's long-term status as a reliable place for investment. For a good many years now, this country has enjoyed an unexcelled reputation for stability and financial common sense.

When they were before the finance committee the Citibank officials said they had no intention of selling their Mercantile shares. They said it would not be responsible for them to place shares on the public market in Canada until the bank was in a more profitable position and was better established. They pointed out also that it would be difficult to carry on profitable operations and build up an earnings record which would be attractive to investors if their liabilities were restricted to 20 times their present authorized capital when other banks with which they had to compete could have liabilities of 40 or 50 times their authorized capital.

Since that time Citibank has changed its mind. It has indicated it is prepared to make shares of Mercantile available to Canadians. In view of this fact the committee recommended that the restriction on growth should become effective in 1972 rather than immediately in order to give Mercantile a five-year period to establish itself and build up an earnings record which would make it possible to market its shares successfully in Canada. In the result, if non-resident ownership of Mercantile is not reduced to 25 per cent by 1972 it will be necessary for Mercantile to comply with the growth restriction formula and to cut back its size. The finance committee believes that this provides a sufficient incentive to make orderly preparations during the five-year period for the sale of shares to Canadian residents.

• (5:20 p.m.)

This is a reasonable and fair approach. It has the advantage also that it will retain for Canada the benefits of increased competition in the Canadian banking system, which is greatly needed, and the valuable knowledge and experience which is provided by Mercantile and Citibank. In its third annual review the Economic Council of Canada said:

> It is clear that nothing quite compares with foreign competition as a limitation on the exercise of market power.

It was generally recognized throughout the finance committee hearings that an increase in competition in the banking business in Canada is highly desirable. We need more

competition, more initiative, more daring, more new ideas and wider experience in the banking business in Canada. Mercantile can make a valuable contribution. For example, many members will have seen the report in the *Globe and Mail* of Friday, March 10. The caption reads "4½ Per Cent Interest is Offered by Mercantile". The report then reads:

> Mercantile is offering 4½ per cent annual interest on savings accounts that have no checking privileges. Withdrawals can be made only at the teller's window. The 4½ per cent is compounded quarterly on the minimum monthly balance...
>
> Mercantile, like Canadian owned banks, also has regular savings accounts which pay only 3 per cent yearly on the minimum quarterly balance and offer one free cheque per quarter for each $100 of minimum quarterly balance.

The 3 per cent interest rate paid on savings by the Canadian chartered banks is on the minimum quarterly balance. The Porter commission estimated that in 1961 the actual effective interest rate paid by Canadian chartered banks on savings deposits was only 2.21 per cent. With inflation at an annual rate of 3 per cent or 4 per cent, do Canadians have any incentive to save? Does it not make more sense to go out and buy goods, whether for cash or for credit, which will retain their value?

One of our great tasks in Canada is to mobilize the small savings of millions of Canadians for investment in our country, its resource development and its industrial growth. Parliament has given the chartered banks valuable special privileges and has permitted them to develop great branch networks which reach into every community in this country. The chartered banks therefore have an opportunity no one else has to mobilize the savings of Canadians for the task before us. They have a corresponding responsibility. Are they performing it? They cannot do it at an effective interest rate on savings of 2.21 per cent. Mercantile's 4½ per cent interest rate on savings is a useful import from the United States and I hope that we will have many more of them. I also hope it will stimulate Canadian chartered banks to follow their example.

There must be no question of our determination to prevent foreign take-overs of Canadian banks. But surely it is equally clear that in order to stimulate Canadian banks and get the best possible interest rates for Canadian depositors, get the best possible borrowing rates for Canadian businessmen and farmers, avoid restrictive banking practices and get the benefit of foreign experience—in brief, to have the most efficient banking system possible—we must somehow bring effective foreign competition into our banking system while at the same time maintaining effective control of the system.

Not very often in Canada do we find Canadian businessmen inviting foreign competition. It is therefore a tribute, in my opinion, to the strength and confidence of our Canadian chartered banks that they agree that foreign competition is essential to the efficiency of Canadian banking and they welcome it. Without exception they gave evidence to this effect to the finance committee. But they do not yet know the best method of providing foreign competition while still retaining Canadian control of our banking system. The finance committee has recommended that his important question be considered further. Possibly agencies of foreign banks should be permitted to operate in Canada. The Minister of Finance has indicated that this will be considered very carefully.

May I now consider for a moment, Mr. Chairman, the principle that a Canadian chartered bank should be independent and should not be dominated or controlled by any other corporation or single group, whether Canadian or non-Canadian. This is a worthwhile reform. But reforms often create new problems. If shares of a chartered bank are so widely distributed that no single group can control the election of the directors, who then will in fact control these great institutions with their billions of dollars of assets which are so important to Canada? Will it not mean that in fact the present bank managements will become self-perpetuating indefinitely—in practice responsible to no one except themselves?

Some evidence to this effect was presented to the finance committee. In theory the top bank officers, the top management, are appointed by the directors who are elected by the shareholders. In practice the position is reversed. The directors are appointed by top managment. Bank directors are elected at an annual meeting held at the bank's head office. Only a small proportion of the shareholders attend in person. There is no provision for paying the expenses of those who do attend. There are no regional meetings. There is no provision for the local appointment of delegates by shareholders. There are no polling subdivisions scattered throughout the length and breadth of the nation. Proxies or voting papers are sent out to the shareholders by top management and the persons named in the proxies to vote on behalf of the shareholders

are nominees of management. It is somewhat as though the last federal election had not been run from the office of the chief electoral officer but instead from 251 Cooper Street with only one polling station, naturally at 251 Cooper Street. The vote would be cast there by persons named by the national director of the Liberal federation on the basis of voting papers sent out, naturally, by our national director from 251 Cooper Street. If we could run our elections like that I do not think we would have much trouble in getting a working majority. Yet that is the method by which the men are elected who control these great corporations which in turn control billions of dollars of our money. This is a vital problem which applies not only to our chartered banks but to our great insurance companies and other great financial institutions, indeed, to all corporations where voting rights are widely distributed.

This bill will prevent any single group of shareholders from controlling the election of directors. Under present election methods this means that management becomes self-perpetuating and responsible only to itself. Clearly this is not a healthy situation. Making really effective the right of shareholders to elect directors who will be truly representative of the shareholders is a problem which must be faced in the next decennial revision of the Bank Act. Perhaps elections will have to be run from the office of the inspector general of banks. The banks will not like this and possibly the inspector general of banks will not like it either. Perhaps provision will have to be made for regional meetings to elect regional directors or for the election of delegates to attend the annual meeting, with reasonable expenses of attendance being paid from corporate funds. The problem is not dealt with in the present bill.

In present circumstances surely it is entirely clear that the chartered banks must make the most complete and frank disclosure to the public of their financial affairs and their operations. Past legislation has permitted the banks to be secretive. They have set up hidden reserves which make it impossible even for experienced analysts to understand fully their operations. This bill will stop this practice. The banks must disclose their reserves and the results of their operations. The public is entitled to complete disclosure. We think the bill goes far in guaranteeing this. If experience shows it does not go far enough then further legislation will be necessary.

[Mr. Wahn.]

• (5:30 p.m.)

There are a large number of other recommendations of the Porter commission which have been carried into the bill, Mr. Chairman, but time does not permit my dealing with them all. I wish to say a word about the relaxing and ultimate removal of the 6 per cent interest ceiling. This must be recognized as being a bold step in view of the limited amount of rate competition in Canadian banking. The alternative would have been to retain power in the governor in council to reimpose controls if the chartered banks took advantage of this newfound freedom.

Personally I think this might have been a rather good idea. Experience has shown, however, that the chartered banks have not charged all the traffic will bear in the past. If they do abuse their freedom in future I think public indignation will be such that the chartered banks will realize that they are simply inviting more restrictive legislation. Nevertheless we must recognize that the effect of relaxing or removing the interest ceiling will be an average increase in interest rates. I sincerely hope, Mr. Chairman, that the banks will pass on part of the increased profits from such increases in interest rates to their depositors.

A great deal has been done in this bill to give effect to the central recommendations of the Porter commission. This is a good bill, deserving the support of the house.

Mr. Flemming: Mr. Chairman, in making some observations on the decennial revisions of the Bank Act I do not propose to go over every detail of every consideration brought before the committee. We held many meetings and many learned men in the banking profession and in the federal supervisory field, as well as persons occupying prominent and influential positions, appeared before us. It must be remembered that we were engaged in the business of revising the charters under which the banks will operate for the next ten years. That revision was done in the light of deficiencies which became apparent to us in our study of the situation. We also attempted to impose changes in the new bill. Such amendments as were made are in the bill as it has been presented to us.

It seems to me that we should not allow the charters of the banks to expire. The act under which they now operate expires at the end of the month, I believe. I do not know why parliament should not make a terrific attempt to finalize things so that the banks may operate as of April 1 under the new act. We must

remember that the present act under which the banks operate, which is really their charter, has existed for almost 13 years instead of the 10 years originally proposed and that many changes have occurred during its existence. It seems to me that we had a two fold duty, to examine the situation which has existed for the 13-year period and then to arrange for something which will be an improvement over the old act in the light of all the changed conditions and the great growth which we have seen in our domestic and export trade.

The members of the standing committee considered all these matters very seriously and with great responsibility. I must say I was greatly impressed with the membership of the committee. I associate myself to the fullest extent in the remarks made concerning the chairman of the committee. He handled the committee very well, with great impartiality, fairness and ability. The same words apply to the hon. member for Quebec-Montmorency, the vice chairman. May I say that when the hon. member for Labelle took the place of the vice chairman he carried out his duties with great distinction.

We are talking about the Bank Act and everybody is interested in the Bank Act. We in this house are considering that act, its different phases and what it will do for us in the next ten years. But, Mr. Chairman, I do not believe we can expect any bank act or any bank to solve our problems. We must remember that we have other duties and responsibilities and that the Bank Act and the banks can only be considered as being instruments that we can use to make this country an even greater nation than it is today. That is the way we should face the question of the Bank Act. I repeat that every member of the standing committee seemed anxious to see the act amended in such a way that it would conform to the banking needs of Canada in this world. We all had that in our minds. We had many meetings and before we got through we had made many amendments. Generally speaking, I believe the amendments are an improvement.

I was much impressed with the great knowledge possessed by the governor of the Bank of Canada. He showed that knowledge on appearing before the committee. We are fortunate to have a man of his calibre, capacity and ability at the head of the Bank of Canada.

Some hon. Members: Hear, hear.

Mr. Flemming: The Bank of Canada has operated since 1934 and it has seen many changes in this country. As we all know, the functions of the Bank of Canada are economic as well as financial. It has great influence. At one time during the depression, in the early 1930's, I was told that the depression might have been prevented had there been some machinery at that time to control the money supply. I am not arguing whether the depression could or could not have been prevented. I simply repeat the proposition I heard many times, that had there been the machinery to handle the financial structure of this country much of the depression might have been avoided or it might have terminated sooner.

Our committee, it seems to me, was faced with certain questions which it had to determine and in the committee of the whole house we face the same problems. Does this bill as amended contain adequate and appropriate provisions for dealing with the changes which have taken place since 1954? I need not mention the changes except to say there is no doubt that there have been changes. I was not here in 1954 but I suggest that if one were to go back and look at the budget for that year one would find government expenditures lower by several billion dollars than they are today. Surely we are dealing with a different financial climate, are we not?

• (5:40 p.m.)

The other day the estimates for 1967-68 were tabled in the house. I happen to be one who deplores the fact that governmental expenditures have increased so fast. I happen to be one who thinks that governmental expenditures should be provided for by taxation as we go along. I commend the Minister of Finance on the fact that just recently he imposed taxation to take care of a certain situation which was going to cost a few hundred million dollars. I have no hesitation about saying so. But I maintain that in the light of conditions today we must consider the changes which have come about since 1954 and ask ourselves whether the bill before us is adequate to take care of the situation as it will develop during the next ten years during a period in which we hope and pray we shall continue our growth in an economic sense and in the sense of the contribution we make to the general improvement of the well-being of all people in the world.

The committee has made many amendments. Let us hope these amendments will be sufficient to make this bill one which will have a great influence on the well-being of all

our citizens. We have to ask ourselves, as the committee did, whether this legislation provides ways and means of taking care of the increase in the demand for consumer credit. This is an important question today. Again I suggest we might look back to 1954 and ascertain how much consumer credit was used in this country in that year so as to compare the situation then with the need today. I believe hon. members would find that the increase amounts to many millions of dollars. What machinery will be available for the supply of the funds needed? These are things which the committee had to consider and which I am sure the committee of the whole will have to consider.

Again, we in this country must of necessity export goods in order to live. With this in mind we should ask ourselves whether the bill before us provides, among its other features, for the handling of a greatly increased volume of export traffic. Does it do so or not? We should ask ourselves these questions and if we are in doubt about the answers we should make representations accordingly. We should ask ourselves whether this legislation will make it easier to bring in the ever-increasing volume of imports which now serve our rising standard of living. Every year we increase our volume of imports, particularly fom the United States. They have the styles, and I know something about the ladies' preference for style. I have gone all through that. I know that in New York they understand how to make the clothes in which the ladies feel they look well. We bring these things in and they are sold to the ladies. This is proper, and I find no fault with it. Where do we get the money to pay for them?

I said at the beginning of my remarks that my comments would be general in nature, and so they are. But my point is this. We have a great country but we find heavy demands being made on our financial structure. I believe we should live within our income. I do not think we should live by borrowing money at a time when we are supposed to be living in a boom period. I do not believe we should be passing a debt on to a future generation and asking the Minister of Finance to borrow money to pay for a standard of living which we doubt we can maintain out of our own earnings. I do not approve of borrowing money, spending it now, and asking someone who succeeds us 20 years hence to pay the bill.

The bill before us appears to exert a restraining influence on the chartered banks whose existence is generally considered to be beneficial to the growth of our economy. Hon. members may ask: What do you mean by "restraint"? I think banks should lend money to a considerable extent upon the basis of what is known as moral risk. I am thinking particularly of young people who have an ambition to do something. I am one who thinks that ambition should be encouraged. I am one who thinks that ambition is so scarce today that we should encourage all those who want to do something for themselves. It seems to me that far from imposing restraint on the banks they should be encouraged to lend money.

I could tell two or three stories to illustrate this point if I had the time and if hon. members were prepared to listen. Yesterday I attended the funeral of a man from the other chamber who had said to me some years ago: "I was a bank clerk and your father came to me and said he wanted me to do a job for him". After this young man had been released from the bank to perform these services for my father he never went back. He built one of the largest businesses in eastern Canada. He and his brother were the heads of it when he passed away within the last week or so. My point is that he had to have bank credit in order to do this sort of thing. And he got it. This is why I say we should encourage the banks to lend money rather than restrict them from doing so. If money is lost occasionally, what is the difference? Especially, as I say, we should encourage young people who want to do something for themselves.

I ask the question: Is it suggested that restrictions should apply to the banks although similar limitations are not to be imposed on some of their competitors known as near-banks? I am not taking sides one way or the other. But is it reasonable that the regulations which apply to banks should not also apply to the competitors of those banks? Is it reasonable that these competitors should be able to lend money at any rate of interest they wish to charge, as a consequence of which they can naturally afford to pay a higher rate of interest to their depositors? This is not the way to encourage the banks to carry out their functions. It seems to me these are matters which everyone should consider.

The committee had expert witnesses before it. We were fortunate to hear from the inspector general of banks who is sitting in the gallery of this chamber at the moment. I repeat, we are lucky to have men of his calibre in the public service of Canada.

Some hon. Members: Hear, hear.

Mr. Flemming: I have referred to Mr. Rasminsky, the governor of the Bank of Canada, who appeared before us many times. I shall not read the whole list which is embodied in the report, but before concluding I wish to point out that many learned professors of economics appeared before the committee. Last but not least, the Minister of Finance appeared before the committee. I am the first to say he made a favourable impression. I thought he was a person who not only knew what he wanted to do but, once he knew it, determined to do it in a particular way. A person's ability to make up his mind is a great thing. I do not always agree with everything the minister does, but when he came before the committee and made a decision it was always based on something pretty sound and solid.

• (5:50 p.m.)

I shall not go into the whole question of the Mercantile Bank. My hon. friend who preceded me dealt with it very thoroughly. I agree with what he said about the banks needing competition. We can learn a great deal by having experienced people in the banking business come to Canada and contribute their experience and money toward an increase in the flow of funds which we need for development purposes. Where shall we get the money to develop our country if we do not borrow it from the United States? There is no other place. We cannot expect our citizens to take the last dollar out of their savings accounts to develop our country. They cannot afford to do that. Many people place money in banks for safekeeping, thinking of the proverbial rainy day. We cannot take those funds and put them into what are called risk capital ventures. Therefore we have to borrow money. I cannot say anything strong enough to voice my objection to so-called anti-Americanism, if such exists in any part of this chamber. Where can we get funds if we do not approach our neighbours to the south?

One thing which interested many members of the standing committee was the definition of the business of banking. I must say it did not bother me at all. When I had anything to do with banks I was more anxious about getting a loan than about putting a label on the fellow giving out the money. In a practical sense the definition did not bother me. Can a comprehensive label be put on the business of banking? It is important to have this question answered, but I do not think the standing committee has answered it.

I think that under most general headings the near banks, trust companies, and credit unions qualify as banks because they accept deposits, lend funds and have no interest ceiling rate. What they do must be a form of banking. During the committee hearings it became apparent that the banks had been obliged to obtain extra revenue to service some of their accounts. I am one who thinks that if you put $1,000 into a bank and issue cheques on it within a few days the bank is entitled to something for the service it provides.

The committee also dealt with the question of compensating balances. A borrower might obtain $100,000 from a bank but could only use $90,000, being required to leave the rest on deposit. This bill contains a provision whereby all charges of this nature must be specified when a loan is made. The committee studied the whole question of service charges and felt it was reasonable to have such charges.

Possibly the most important single factor which the committee considered, and which is provided for in this bill, is the removal of the ceiling on interest rates. It is a question which may be bothering many hon. members who are within the sound of my voice at the moment. All I can say is that the interest rate has been set and the bill provides that for a certain length of time it shall be at a certain maximum. After that the ceiling will probably be removed. When we consider this point we must keep certain comparisons in mind. We must compare the ability of the banks to attract deposits in competition with trust companies and credit unions. I assume their ability to attract deposits depends on the legal rate at which money is lent. The present legal ceiling is 6 per cent for banks and this curtails their ability to compete with some of the so-called near banks which have no such ceiling. They can lend money at the highest rate of interest they can get people to pay for it.

I have noticed on the main street of Fredericton a trust company notice offering to pay 7 per cent on deposits. I do not know what the qualifications are, but it is unreasonable to expect banks to lend money at 6 per cent when their competition will pay 7 per cent on deposits.

The Porter royal commission recommended that the interest ceiling be removed and that banks should be allowed the same freedom in establishing interest charges as their competitors have. The commission was of the opinion that banks should be able to participate in all

fields of borrowing and to do so on a basis of equality with the near banks.

People have told me that they have paid 2 per cent per month interest to finance companies. If banks are allowed to free their interest rates more people will go to banks when they need to borrow money. People's ability to borrow will be greatly enhanced, and they will have more sources from which to borrow since the banks have branches all over the country. People will be able to borrow at reasonable rates of interest, and that is a right which they should have. In a geographical sense the banks have brought their facilities within the reach of people all across the country.

• (6:00 p.m.)

So far as bank interest rates are concerned, there is a ceiling on interest rates at this time which the banks cannot ignore. It does seem strange that they are unable to meet the demand of the borrowing public at the established ceiling. The committee has recommended the removal of the ceiling, and it would seem to me that we should consider whether such action will accomplish what the committee intended, making credit available to small businesses and individuals requiring small loans. If the removal of the ceiling does not accomplish the intention then it is open to parliament to take action in respect of making loans available to all Canadians at a reasonable rate of interest. Should the improvements intended fail to materialize parliament must have the power to do whatever is necessary to bring about the desired results.

The Acting Chairman (Mr. Richard): Order, please. It being six o'clock it is my duty to leave the chair in order that the house may consider private members' business.

PROCEEDINGS ON ADJOURNMENT MOTION

SUBJECT MATTER OF QUESTIONS TO BE DEBATED

Mr. Deputy Speaker: Order, please. It is my duty, pursuant to provisional standing order 39A, to inform the house that the questions to be raised at the time of adjournment tonight are as follows: The hon. member for Burnaby-Coquitlam (Mr. Douglas), Transport—British Columbia—Federal contribution to Burrard Inlet Crossing; the hon. member for Chapleau (Mr. Laprise), Expo '67—Montreal—Representations with a View to Allowing Every Citizen to Visit Expo; the hon. member for Prince Edward-Lennox (Mr. Alkenbrack), Shipping—Request for Opening of Channel to Amherst Island.

The house will now proceed to the consideration of private members business as listed on today's order paper, namely private bills, notices of motions (papers), and public bills.

PRIVATE BILLS

[*Translation*]

Mr. Rosaire Gendron (Rivière-du-Loup-Témiscouata): Mr. Speaker, will the house agree to give priority to Bill No. S-41, which does not seem to occasion any controversy, so that it might be considered in committee of the whole house, read for the third time and passed.

I understand that, as a result of an agreement between the various parties in the house, the suggestion would be acceptable, inasmuch as there would not be any debate, except for a few words to explain the aims of the amendment.

[*English*]

Mr. Deputy Speaker: Order, please. I should point out to the house that if it is the desire to follow the suggestion of the hon. member for Rivière-du-Loup-Témiscouata, those bills on the order paper in the first, second and third positions may be stood at the request of the sponsors. Item No. 4 on the order paper is the resumption of a debate and therefore it can be stood only by unanimous consent. Item No. 5 on the order paper can be stood at the request of the sponsor. I suggest this procedure in order that we may deal with item No. 6. Is the house prepared to accept the request of the hon. member?

Some hon. Members: Agreed.

Mr. Wahn: Mr. Speaker, I agree with the suggestion that we proceed with item No. 6 on the assumption there will be no debate on that bill. Before standing item No. 4 let me say it is my understanding that the hon. member for Mégantic (Mr. Langlois) is prepared to withdraw his amendment. Perhaps we could have that amendment withdrawn before proceeding with item No. 6.

Mr. Deputy Speaker: Is that agreed?

Mr. Peters: No.

Mr. Deputy Speaker: Perhaps I should point out to the hon. member for St. Paul's that an amendment moved by an hon. member can

only be withdrawn by that member. The hon. member for Mégantic is not in the house at this time.

Mr. Wahn: Mr. Speaker, I believe the hon. member for Mégantic left instructions with another hon. member to consent to the withdrawal of the amendment, if that is permitted.

[*Translation*]

Mr. Gauthier: No, Mr. Speaker, the hon. member for Mégantic (Mr. Langlois) has not mentioned it to me.

[*English*]

Mr. Deputy Speaker: Order, please. I think the hon. member for Timiskaming has already objected.

Mr. Peters: Yes, Mr. Speaker.

Mr. Wahn: I have no objection to adopting the suggestion that we now proceed with item No. 6.

Mr. Deputy Speaker: Is it agreed that item No. 1 shall stand?

Some hon. Members: Agreed.

Mr. Deputy Speaker: Is it agreed that item No. 2 shall stand?

Mr. Cameron (High Park): Mr. Speaker, I am prepared to allow this item to stand on the same terms, that there will only be a short debate lasting not more than a few minutes. If the hon. member has made some arrangement I am prepared to allow my bill to stand and to be taken up in its proper order during the next private members' hour. I object to this procedure on any other basis.

Mr. Howard: Mr. Speaker, I think some confusion has developed as a result of calling the individual items. I think that by unanimous consent we have bypassed these items and the only way we can return to them is by unanimous consent. I think we should proceed with item No. 6, second reading of Bill S-41. At the conclusion of our consideration of that bill we should return to item No. 1 and the others in the appropriate order.

Mr. Deputy Speaker: I will accept the suggestion made by the hon. member. However, in respect of item No. 4 we should have unanimous consent. Does the house give unanimous consent to standing item No. 4?

Mr. Wahn: I agree as long as it does not lose its position on the order paper.

Mr. Deputy Speaker: Is the house agreed?

Some hon. Members: Agreed.

Mr. Deputy Speaker: Does the house give unanimous consent to the suggestion that we now proceed with item No. 6 on the order paper?

Mr. Cameron (High Park): I agree on the basis I have put forward.

Some hon. Members: Agreed.

LA SOCIÉTÉ DES ARTISANS

Mr. Rosaire Gendron (Rivière-du-Loup-Témiscouata) moved the second reading of Bill No. S-41, respecting La Société des Artisans.

He said:

[*Translation*]

Mr. Speaker, I want first to thank the house for its courtesy and the sponsors of the various bills which had priority over mine, for their indulgence, I shall not overtax their patience.

The purpose of this bill respecting La Société des Artisans, which is a fraternal benefit society, is first to enable it to use the terms appearing in the Canadian and British Insurance Companies Act, that is: fraternal benefit society.

The second amendment seeks the authorization to reinsure any insurance risk undertaken by similar insurance companies.

The purpose of the third amendment is to confer on the executive certain privileges pertaining to the general assembly which only meets every four years, so as to improve the dispatch of the society's business.

The fourth amendment is to allow new members of the executive to be selected from outside Montreal and suburbs whereas such a territorial limit existed previously.

• (6:10 p.m.)

[*English*]

Mr. Arnold Peters (Timiskaming): Mr. Speaker, I thought that the changes suggested in this bill should be implemented because on reading its title in French, "La Société des Artisans", I presumed it had something to do with artisans in the English sense of the word and was a trade union bill. I was very surprised to find the title has nothing to do with co-operatives or trade unions and is in fact not concerned with artisans in any way, shape of form but is an insurance bill. Reading the bill quickly, I find it is not even

a normal insurance company in the sense that we understand. Perhaps the sponsor of the bill should have been a little more clear as to the purpose of the bill.

I notice that one of the clauses allows the society to reinsure a part of any personal insurance risk carried by a fraternal benefit society. This, of course, is not the normal reinsurance which a company undertakes with a number of other companies because the risk incurred in the insurance policies is beyond the capability of the fraternal organization to carry. Protection is achieved in this way. In this case it appears that there is an inter-relationship or interlocking among various insurance companies. Here a fraternal benefit society carries a personal insurance risk that would have to be carried by the individual and could be taken care of through reinsurance with several other agencies of a mutual character. There is in the bill the continual use of the phrase "fraternal benefit society". This may also carry a connotation in French that is not readily translated into English. In the direct translation there is apparently a totally different kind of insurance envisaged than that with which we are normally concerned.

I apologize to the house for not having considered this particular aspect of the bill, but I did not really understand that it dealt with an insurance company. Perhaps other hon. members interpreted "artisans" to mean what it means in English rather than what is apparently its meaning in the direct translation. This society seeks these changes by federal legislation, but the bill uses the expression "may delegate such power to the executive council". This matter is not very clear to me and perhaps it will be made clearer when the bill is referred to the standing committee. In its translation perhaps "executive council" has a different connotation. I presume it may have something to do with the executive council of the province of Quebec, but I should like to be clear on this point.

I am also concerned about the fact that the bill does not provide enough information for us to ascertain whether major changes are being effected by it. This statute was passed in 1946 and the bill does not include the names of the persons who seek these changes or the other normal requirements in connection with this type of bill. We are not able to look at the bill in its entirety and understand the extent to which the amendments apply.

I shall therefore be interested in the discussion that takes place in the committee, because as I read the bill there is a considerable difference from what we normally consider to be mutual and other insurance companies in regard to reinsuring and the extent to which protection is provided to the policyholder by the Canadian and British Insurance Companies Act. I think there will be some interest on the part of hon. members in ascertaining how this reinsurance will be carried out—

[*Translation*]

Mr. J.-A. Mongrain (Trois-Rivières): On a point of order, Mr. Chairman, I would not want to be disagreeable toward my colleague, but I know that the hon. member for Rivière-du-Loup-Témiscouata (Mr. Gendron) went around the house all afternoon. We asked him all those questions. Finally, the house agreed a minute ago to consider his bill provided there were no discussion. It seems to me then that something is not in order. I think it was my colleague here who specified two or three times: Provided there is no discussion.

I wonder then whether we are quite in order.

[*English*]

Mr. Cameron (High Park): On a point of order, Mr. Speaker, I would confirm that this is exactly what did take place. When I gave my consent to item No. 2 standing I did so with the distinct understanding that there would be a very limited debate on this matter. If debate is to continue, I must withdraw my consent.

Mr. Howard: Mr. Speaker, on the point of order I should like to say, because I was involved in the discussion, that the hon. member for Rivière-du-Loup-Témiscouata came to see me a moment or two before six o'clock and posed the question of giving second reading to this bill without debate. I think the hon. member for Rivière-du-Loup-Témiscouata will confirm that I suggested this was not a very wise course, that if we passed the bill without debate it would be contrary to what we were trying to do, and the least that should be done was that we should have an explanation from the hon. member sponsoring the bill. Therefore there was not an across-the-board understanding that this bill would be passed without debate, even though the hon. member for Rivière-du-Loup-Témiscouata may have had a previous discussion about it. However, I know that the hon. member for Timiskaming has just about reached the conclusion of his remarks.

[*Translation*]

Mr. Speaker: Order. The hon. member has already dealt with the point of order. In any case, I understand the hon. member for Timiskaming (Mr. Peters) has nearly finished his remarks, so that will automatically settle the problem.

Mr. Mongrain: Mr. Speaker, on that point of order—

• (6:20 p.m.)

[*English*]

Mr. Peters: Mr. Speaker, I should inform the house that I did not take part in the discussion and therefore I took this bill at its face value, as I am sure you did, Mr. Speaker. The request was made to take up this bill rather than other bills and, as I said, I was very surprised to find that it was not what I had thought it was. This bill contains a couple of points which make it different from other similar bills. It may be that some hon. members are not interested in examining this type of bill. However, I think I have an obligation to point out that in my opinion there are differences between this bill and other such bills. I am prepared to let it go to the committee without further debate in the hope that an answer will be found there to some of the problems which can be raised legitimately in regard to legislation of this nature.

Mr. Speaker: Is it the pleasure of the house to adopt the said motion?

Motion agreed to, bill read the second time and referred to the standing committee on finance, trade and economic affairs.

[*Translation*]

Mr. Gendron: Mr. Speaker, I had asked for unanimous consent so that the bill could be studied in committee of the whole immediately and the motion for third reading could also be passed.

Mr. Speaker: I must point out to the hon. member that standing order 102 stipulates that no private bill shall be studied in committee of the whole without a special reference. If the hon. member refers to standing orders and more particularly to the order I have just mentioned, he will note that it is extremely difficult to permit examination of a bill by the committee of the whole rather than by a special committee. Naturally, the house may make whatever decisions it wishes, but at this point I will call the attention of the house to the fact that it is abnormal to proceed as the hon. member for Rivière-du-Loup-Témiscouata suggests.

Mr. Gendron: Mr. Speaker, would you have any objection if the house gave unanimous consent? Therefore, I ask for the unanimous consent of the house.

Mr. Speaker: Unfortunately, I believe the problem to which I have just alluded still remains, since the standing order reads as follows:

> No motion for the suspension or modification of any provision of Part II of the standing orders applying to private bills or to petitions for private bills shall be entertained by the house until after reference is made to the committee on standing orders, or to one of the committees charged with the consideration of private bills, and a report made thereon by one of such committees and, in its report, the said committee shall state the grounds for recommending such suspension or modification.

The hon. member suggests that the house do precisely the opposite of what is stipulated in the standing orders. To my mind, the hon. members should think seriously of the difficulties which would stem, even with the unanimous consent of the house, from overriding a standing order which stipulates that a private bill shall be considered by a special committee rather than by the committee of the whole.

Mr. Gendron: I accept your ruling, Mr. Speaker.

[*English*]

THE EXCELSIOR LIFE INSURANCE COMPANY

On the order:

> House in committee of the whole on Bill S-26, An Act respecting the Excelsior Life Insurance Company (without amendment).—Mr. Stanbury.

Mr. Stanbury: Mr. Speaker, I rise on a point of order. Clearly there has been a misunderstanding about the order of business during this hour. Already half the private members hour has been taken up on a bill which many of us were led to believe was going to be passed without debate. The result of the misunderstanding is that only half an hour remains for discussion of this bill and whatever other bills might be taken up during the hour. The suggestion I should like to make for the consideration of hon. members is that private members' hour today be extended to 7.30 so that in fairness to those who have suffered by reason of this misunderstanding—

Private Bills

Mr. Speaker: Order, please. I would ask the hon. member to take into account the fact that it is only 6.30 now and that there is always a possibility that all the bills to which he has referred might be passed and adopted by seven o'clock. If he wishes to extend the private members' hour I would suggest to him that the motion be made and considered at that time.

The house in committee on Bill No. S-26 respecting the Excelsior Life Insurance Company—Mr. Stanbury—Mr. Batten in the chair.

Clause 1 agreed to.

On clause 2—*Powers, privileges and liabilities.*

Mr. Howard: Mr. Chairman, we made an exception and referred this bill to the miscellaneous private bills committee, in other words, to another committee than the one set out in the standing orders. When it was considered in the miscellaneous private bills committee on two occasions, I believe consideration was given to the question of the foreign ownership of this company. I think we cannot let this clause pass without making reference to some statements which were made earlier by the Prime Minister and to one which was made just yesterday by the Minister without Portfolio who heads the cabinet committee dealing with foreign ownership of companies in Canada, a matter of tremendous concern to all of parliament.

Perhaps I should go back to the time a few weeks ago when the Prime Minister, in a nation-wide television broadcast, made a great issue about declaring the policy of his government with respect to foreign ownership of companies in Canada, if not by direct statement then by leaving a very clear impression that he and his government were in favour of steps to bring industry in Canada under the control of Canadians and to remove as quickly as possible the element of foreign ownership of companies in Canada.

When the Minister without Portfolio said yesterday that he hoped that the matter of foreign ownership of Canadian industry would become a major issue in the next election, his statement had an even more direct bearing on the bill that is before us now. I am not looking toward an election at the moment and trying to involve myself in it, but I do say, as has been said on many occasions in the past, that we have an undeniable obligation to the Canadian people to look seriously at the matter of foreign ownership of our industry and to look seriously at the Excelsior

[Mr. Stanbury.]

Life Insurance Company which is being considered at present. Not long ago the Prime Minister replied, in answer to a series of questions in the house, that the insurance companies act contained the same provisions with respect to foreign ownership as are contained in the Bank Act. It was a bit of a surprise to most of us because we did not appreciate that all insurance companies in Canada came under the proscription that only a certain percentage of them were permitted to be owned by other than Canadians. It was for this reason we raised the matter in the standing committee when considering the Excelsior Life Insurance Company. We raised the matter of foreign ownership of this company, and if my memory is correct the figures given were that this company had 70 per cent of its share capital held in the United States. If my memory is faulty, the sponsor of the bill can correct me.

• (6:30 p.m.)

Even though the insurance companies act to which the Prime Minister referred earlier contains provisions which limit the degree to which life insurance companies may be owned by foreigners, the provisions of that act do not apply to the Excelsior Life Insurance Company primarily because it became a United States owned company before the coming into force of the amendments to that act in 1964-65.

Without reading the relevant sections of the insurance act, I want to make reference to the fact that if we were to add a few words to clause 2 we would bring Excelsior Life under Canadian control. I submit that the period of five years has been used on two other occasions when dealing with foreign ownership of financial institutions of this country. It seems that five years was established as a reasonable period of time to permit Excelsior Life Insurance Company to become a Canadian owned corporation or, in effect, lose the full power of foreign ownership. The amendment that was sought to be moved in committee was ruled out on a technicality. Incidentally, the technicality could be objected to because I have looked up the rules and have sought advice on the matter. No objection was taken in the committee because it was obvious the hon. member for Timiskaming would need a seconder for his motion from one of the other parties because the New Democratic party had only one member on the committee. Since he was unable to secure a seconder, there was not much point in attacking the validity of the ruling of the chairman at that time. Consequently he let the matter proceed,

knowing that it could and must be raised again in this chamber.

It is undoubtedly our responsibility to concern ourselves with the matter of foreign ownership, not only the foreign ownership of a company like Excelsior Life Insurance Company but other companies. The foreign ownership involves a tremendous interference with the degree to which we may control our own economic destiny. The Prime Minister has declared it to be government policy, as well as the former minister of finance, that industry and finance should be brought under the control of Canadians. We cannot therefore just blindly pass the clauses of a bill of this nature without putting the matter to the supreme test, so I intend to move an amendment in a moment. If this amendment does not carry in committee, we would have no choice then but to move it, in essence, when we reach the third reading of the bill in order to test this question of foreign ownership of The Excelsior Life Insurance Company in particular, and in general the whole question of the validity of the declaration of the Prime Minister, as well as others in the Liberal party who have declared themselves in favour of advancing the cause of Canadian ownership of industry. Many of the members of the Conservative party expressed the idea in the previous election campaign.

The time is long past when we should put into effect the same provisions that are contained in the bank bill, the same provisions that were contained in this other bill and as applied to the Mercantile Bank. This provision should be made applicable to The Excelsior Life Insurance Company because that is the company before us at the moment. This seems to be the time when other life insurance companies and finance companies should be told that the majority of their stock should be owned by Canadians.

Accordingly, I move:

That clause 2 be amended in line 17 by adding after the word "thereto" the following:

"Except that the provisions of section 16F(2) and 16F(3) of the Canadian and British Insurance Companies Act shall not apply to the company beyond the 31st day of December, 1971."

The effect of the amendment, Mr. Chairman, just referring briefly and not in detail to the particular section 16F, would be to remove the exemption which now exists. 16F(2) provides an exception for non-resident ownership of a company. In other words, where a company is foreign owned the provisions of the Canadian and British Insurance Companies Act which now require that foreign ownership shall not exceed a certain percentage would not exist beyond December 31, 1971.

To put it succinctly, if the amendment carries, then by January 1, 1972, Excelsior Life Insurance Company would no longer be in a position to be a foreign owned company. This would be in line with similar provisions contained in the bank bill as well as the policy declarations made by the Prime Minister and the former minister of finance. I believe we should consider this very seriously because we have an obligation to the Canadian people which cannot be glossed over.

• (6:40 p.m.)

Amendment (Mr. Howard) negatived: Yeas, 6; nays, 20.

The Chairman: I declare the amendment lost.

Clause agreed to.

Clauses 3 to 9 inclusive agreed to.

Title agreed to.

Bill reported.

Mr. Deputy Speaker: When shall the bill be read the third time?

Some hon. Members: By leave, now.

Mr. Stanbury moved the third reading of the bill.

Mr. Frank Howard (Skeena): Mr. Speaker, on the motion for third reading may I say I do not think there is much point in reiterating what was said during the committee stage on clause 2. However, I propose to move an amendment which relates to clause 2, and even though there is no reference to this in the amendment it relates specifically and absolutely to the matter of foreign ownership. It is for this purpose that I should like to refer the bill back to committee for a reconsideration of clause 2 and whatever changes might be made to it.

Accordingly, Mr. Speaker, I move, seconded by the hon. member for Timiskaming (Mr. Peters):

That Bill S-26 be not now read a third time but that it be referred back to the committee of the whole house for reconsideration of clause 2.

I think technically that is the proper wording, Mr. Speaker.

Mr. Robert Stanbury (York-Scarborough): Mr. Speaker, my only comment is this. Whatever the merits of the suggestion of the

hon. member, the applicant here is only one of 13 companies which are exempt from the provision referred to by the hon. member. It would of course be quite unreasonable and discriminatory to single out this company for this kind of restriction. If the hon. member feels that a change of general policy is desirable, then it seems to me that that would be done more properly by another piece of legislation. I submit that this company should not suffer in the meantime, being the only one of 13 companies to lose that exemption.

Mr. T. S. Barnett (Comox-Alberni): Mr. Speaker, in speaking to the amendment that has been proposed by my colleague the hon. member for Skeena (Mr. Howard), and in reply to the remarks which have just been made, may I suggest to the hon. member that what he has said really falls to the ground on two counts. One of them is that as far as I am concerned if, as and when the other companies come before this house we can deal with them at the first opportunity, in exactly the same manner as we have dealt with this company.

Second, and perhaps preferably, I suggest to the hon. member that if he is prepared to bring in an appropriate amendment to the act to which reference was made earlier—the act of general application—then I would be more than happy to support him in taking an approach of that kind to deal with what he alleges to be a discrimination against this particular company.

He may be somewhat closer to the source of initiating such legislation than I am, and in view of the fact that he has made these remarks I suggest that he should consider my suggestion to eliminate the discrimination that he feels exists. Let me assure him at once that if he can arrange to have such proposal laid before the house we would be more than happy to support him in eliminating what he terms a discrimination against this particular company.

Mr. Arnold Peters (Timiskaming): Mr. Speaker, I did not intend to say anything on this amendment at the third reading stage because it is self-explanatory. I will say, however, I agree with the hon. member that this action is discriminatory in that only one of 13 companies is affected, should this amendment pass and clause 2 is changed. The same state of affairs exists with regard to insurance legislation. The changes which are being recommended by the government in the banking legislation are also discriminatory against two banks in particular, namely the Bank of Western Canada and the Mercantile Bank, though obviously they are in a different position. I would submit that this is a problem that the government will have to face up to.

• (6:50 p.m.)

If hon. members decide to vote for this amendment, then obviously the government, as my colleague has said, must bring in legislation to provide for the equality of each of the companies. It would be a poor excuse to say that because all 13 companies are not before the house it should not deal with this one company. This is a financial institution, and if parliament is to control all financial institutions in this country it will have to deal with this matter. I think the amendment will be supported. There is an obligation on the government to bring the other 12 companies into line.

Hon. members voting against the amendment will be voting with tongue in cheek, because this bill now before us deals with the subject matter dealt with in the Bank Act. Surely some of the similarities in the two pieces of legislation cannot escape hon. members.

Mr. Deputy Speaker: Is the house ready for the question?

Some hon. Members: Agreed.

Mr. Deputy Speaker: Those in favour to the motion will please say yea.

Some hon. Members: Yea.

Mr. Deputy Speaker: Those against will please say nay.

Some hon. Members: Nay.

Mr. Deputy Speaker: In my opinion the nays have it.

And more than five members having risen:

Mr. Deputy Speaker: Call in the members.

Mr. Lambert: On a point of order, Mr. Speaker—

Mr. Deputy Speaker: I shall read the standing order to the house. Stop the bell, please. Standing order 6(3) says:

> If any member objects to the taking of a vote at any time between 1.00 o'clock p.m. and 2.30 o'clock p.m. or between 6.00 o'clock p.m. and 8.00 o'clock p.m., Mr. Speaker shall request those members who object to rise in their places and if five or more members rise, the taking of the vote shall be postponed.

As I remember, there was no objection.

Mr. Lambert: I beg to differ, Mr. Speaker. As soon as Your Honour said "Call in the members", I stood up, indicating I objected. Then, following the standing order, the burden is on Your Honour to ascertain whether other members do not wish the vote to take place at this time. I think we are at that point.

Mr. Deputy Speaker: I shall accept the explanation of the hon. member for Edmonton West. It is now my duty to ask those who object to the taking of the vote at this time to rise.

And more than five members having risen:

Mr. Deputy Speaker: More than five members having risen the vote will be deferred, to be taken when the house resumes at eight o'clock.

LAURIER LIFE INSURANCE COMPANY

Mr. A. J. P. Cameron (High Park) moved the second reading of Bill No. S-27 to incorporate Laurier Life Insurance Company. He said:

Laurier Life Insurance Company was incorporated under letters patent granted by the province of Ontario dated October 6, 1965. The company received a certificate of registry under the Canadian and British Insurance Companies Act in December, 1965, and a few days later a provincial licence to undertake insurance contracts in the province of Ontario. The federal registration restricted Laurier Life to the conduct of insurance business in Ontario. This company was formed group life business of Global Life Insurance Company, a company which was operating in Ontario, Quebec and British Columbia. In order for Laurier to acquire this business it was necessary that it become incorporated and licensed as quickly as possible and there was not time to incorporate this company by way of federal charter and to acquire the Global business at the same time.

It was therefore resolved to incorporate the company under an Ontario charter and, in accordance with the request of the Ontario department of insurance, to register it federally—although the business would be confined to Ontario—so that the group life business of Global Life Insurance could be acquired. Pursuant to that purpose the company was incorporated and the sum of $2 million was raised, $1 million as capital and $1 million as paid up surplus. It was out of the surplus funds subscribed to the company that the group life business of the Global Life Insurance Company was purchased. The purchase price was $1 and upon payment of this Laurier Life Insurance Company acquired by way of re-insurance the liabilities and benefits from the group life business of Global. It also acquired the paid up reserves backing these contracts. The company therefore was immediately in business with some $80 million worth of insurance on its books and a premium income of approximately $1.3 million per year.

Mr. Deputy Speaker: Order, please. The Chair has been requested to note that a quorum is not present. I shall therefore ask the Clerk Assistant to count the members.

And on the count being made, more than 20 members were declared to be present.

Mr. Deputy Speaker: Twenty four members are present and the house is properly constituted.

Mr. Cameron (High Park): Among the business acquired was group life contracts in the province of Quebec. Under the terms of the federal registration the only place in which the company could sell insurance was Ontario, and it is a desire of the company to be able to sell insurance as well in the province of Quebec. It is necessary for the company to keep office facilities in the province of Quebec in order to service the existing business acquired by way of re-insurance from Global Life; it is relatively uneconomical to maintain these offices without also providing the staff with an opportunity to sell insurance in that province.

At the time that the formation of this company was discussed with both the Ontario department of insurance and the federal authorities, the founders of the company undertook that they would in due course apply for federal registration and federal incorporation so that the company would be on the same footing as other insurance companies; it would not be a company operating under an Ontario act and under the federal act, and to that extent be an unusual company for both the provincial authorities and the federal authorities.

The shareholders of the company are made up of businessmen from Toronto, Windsor, Barrie and other centres in Ontario. It is an undertaking of the company that it will, before entering into the insurance business under its new charter, acquire all the assets

and obligations of the existing Ontario company, terminate its operation, and have paid in as capital, over and above the surplus which was used to acquire the Global Life business, $1 million. The federal incorporation of this company is desired so that it may turn its uneconomical Quebec activities into an economical operation. The transfer of the group business from Global to Laurier Life by way of re-insurance contracts has been studied by both the federal Department of Insurance and the Ontario department of insurance and has met with no apparent problems or opposition from either of these departments.

May I add, Mr. Speaker, that if the hon. member for Kamloops (Mr. Fulton) were in the house he would show his interest in this bill.

• (7:00 p.m.)

Mr. Peters: Mr. Speaker, we do not intend to talk this bill out. I should like to say just a few words.

Mr. Deputy Speaker: Order, please. It being seven o'clock, pursuant to an order of the house made on March 3, this sitting is adjourned for one hour.

Mr. Howard: Could I plead with the house through Your Honour to give consent to have this bill read the second time, and perhaps my hon. friend from Timiskaming could explain our position with regard to it.

Mr. Deputy Speaker: Does the house agree to continue the discussion on this bill?

Some hon. Members: Agreed.

Mr. Arnold Peters (Timiskaming): I appreciate the remarks which have been made by the hon. member for High Park (Mr. Cameron) in relation to the difficulties encountered by this company, as well as others, in changing from provincial to federal incorporation so as to take advantage of the operations of the federal superintendent of insurance, and the protection given by his office.

I am pleased to note from the hon. member's explanation that this company is transferring its provincial assets to the federal company, unlike the last company we dealt with whose bill contained an expression to the effect that this was deemed to have been done—a form which I did not think was desirable. The company now in question is following a form which allows us to ascertain what transactions are taking place in connection with the transfer from provincial to federal jurisdiction.

Another important fact to be borne in mind when dealing with the establishment of this company is that the ownership is Canadian and meets a requirement which I believe the previous company should have been asked to meet, though it was exempted. We are pleased therefore that this transfer is being undertaken so as to take advantage of a measure of protection which in my opinion is too often overlooked—the protection available after incorporation as a federal company by reason of the operations of the superintendent of insurance.

Motion agreed to, bill read the second time and referred to the standing committee on finance, trade and economic affairs.

Mr. Deputy Speaker: The sitting is suspended until eight o'clock.

SITTING SUSPENDED

SITTING RESUMED

The house resumed at 8 p.m.

THE EXCELSIOR LIFE INSURANCE COMPANY

Mr. Speaker: Order, please. The question is a deferred vote pursuant to section (3) of standing order 6, as follows: Mr. Stanbury, seconded by Mr. Cameron (High Park), moved that Bill S-26, an act respecting The Excelsior Life Insurance Company, be now read a third time. In amendment thereto, Mr. Howard, seconded by Mr. Peters, moved that Bill S-26 be not now read a third time but that it be referred back to the committee of the whole house for reconsideration of clause 2.

The question is on the amendment.

The house divided on the amendment (Mr. Howard) which was negatived on the following division:

• (8:10 p.m.)

YEAS

Messrs:

Barnett	Howard
Brewin	Knowles
Cameron (Nanaimo-Cowichan-The Islands)	Latulippe
Dionne	Lewis
Douglas	MacInnis (Mrs.) (Vancouver-Kingsway)
Fawcett	Orlikow
Gauthier	Peters
Gilbert	Saltsman
Godin	Schreyer
Grégoire	Simard—20.

NAYS

Messrs:

Alkenbrack	Laverdière
Allmand	LeBlanc (Rimouski)
Andras	Lefebvre
Basford	Legault
Batten	Lessard
Béchard	Lind
Beer	MacDonald (Prince)
Bell (Carleton)	MacEwan
Benson	MacInnis
Berger	(Cape Breton South)
Blouin	Mackasey
Brand	MacLean (Queens)
Brown	MacRae
Byrne	McCleave
Cadieu (Meadow Lake)	McCutcheon
Cameron (High Park)	McIlraith
Cantelon	McIntosh
Cantin	McKinley
Cashin	McNulty
Chatterton	McWilliam
Choquette	Madill
Chrétien	Marchand
Churchill	Matheson
Clancy	Matte
Clermont	Mongrain
Code	Moore
Comtois	Munro
Côté (Dorchester)	Nasserden
Côté (Longueuil)	Neveu
Côté (Nicolet-Yamaska)	Nugent
Cowan	Olson
Crossman	Orange
Crouse	Ormiston
Deachman	Otto
Dinsdale	Patterson
Émard	Pennell
Enns	Pilon
Ethier	Rapp
Faulkner	Reid
Forbes	Ricard
Forest	Richard
Forrestall	Rideout (Mrs.)
Foy	Robichaud
Gendron	Rochon
Greene	Rock
Grills	Roxburgh
Guay	Scott (Victoria (Ont.))
Gundlock	Sharp
Habel	Simpson
Hales	Skoreyko
Harley	Smith
Hees	Southam
Honey	Stanbury
Hopkins	Starr
Horner (The Battlefords)	Stefanson
Howe (Wellington-Huron)	Stewart
Hymmen	Tardif
Irvine	Thomas (Maisonneuve-
Isabelle	Rosemont)
Johnston	Thomas (Middlesex West)
Jorgenson	Tolmie
Keays	Tremblay
Kennedy	Wahn
Kindt	Walker
Klein	Watson (Châteauguay-
Laflamme	Huntingdon-Laprairie)
Lambert	Webb
Langlois (Chicoutimi)	Yanakis—133.

• (8:20 p.m.)

Mr. Speaker: I declare the amendment lost.

Division

Mr. Tucker: Mr. Speaker, I was paired. Had I voted, I would have voted against the amendment.

Mr. Herridge: Mr. Speaker, I was paired with the Minister of Energy, Mines and Resources. Had I voted, I would have supported the principle, purpose and spirit of the amendment.

Mr. Speaker: The house will now revert to the business interrupted at six o'clock.

Some hon. Members: Question.

Mr. Speaker: Order, please. The suggestion being made by hon. members is that the question on third reading of the bill be put, but I suggest that it would require the unanimous consent of the house to put the question at this time.

Some hon. Members: Agreed.

Mr. Howard: Mr. Speaker, this is far, far too important an item to rush through at this moment.

Some hon. Members: Oh, oh.

Mr. Speaker: The house will now revert to the business interrupted at six o'clock.

BANK ACT

DECENNIAL REVISION AND EXTENSION OF CHARTERS

The house resumed consideration in Committee of Bill No. C-222, respecting banks and banking—Mr. Sharp—Mr. Batten in the chair.

On clause 2—*Definitions.*

Mr. Otto: Mr. Chairman, this debate started off surprisingly harmoniously with the hon. members of all parties on the opposite side of the house being rather complimentary to the minister and the committee in connection with this bill and the amendments proposed in committee. There were some suggestions made by the hon. member for Victoria-Carleton. He said: I think the main question is, is this bill going to meet our banking and credit requirements for the next ten years? But he did not answer that question.

The hon. member for St. Paul's made several suggestions and indeed pointed out the incongruity of our banking system as it relates to our banking requirements; but he was very polite about it and tried to slay the

dragon with a feather when he might have used a dagger. I am not going to use a feather; I am going to use an axe. There are really two main questions to be raised in connection with this bill. I regret very much that in this case some of my comments will have to reflect upon the Minister of Finance. This is always the case when the putative father, so to speak, the hon. member for Davenport, is not here and the foster father must answer for the legislation that is on the books.

• (8:30 p.m.)

The question is, first, is this is good banking legislation; in other words, is it going to assist Canadians in their industrial growth and in their commercial expansion over the next ten years? I say it is not; it is bad legislation and, with all due respect, the committee did not consider this question. It approached this matter on the basis of individual amendments. Mind you, they were good amendments to a bad act. However, making worthwhile amendments to a bad act will not make it a good act; it does not make it good banking legislation.

The other question is: How in the world did we mix up nationalism with banking legislation? What have those two things to do with each other? I suggest to you that nationalism, this great quest for some sort of feeling of unity, has no place in banking legislation. Indeed everyone who has spoken on it, and the hon. member for Davenport has himself commented on it, pointed out that we as Canadians are not worried about money lent to Canadian companies or any type of bond issue which can be paid back. The hon. member for Davenport said that what he has worried about was industrial equity. There is a difference between the two.

I fully support the concept that Canadians should be induced to buy shares, to get dividends and to re-invest in their own growth. Here we are talking about money, we are talking about banking tools for industry. We welcome tools from anywhere, because this can always he paid back. However, nationalism has no connection with banking. We are very concerned about national unity and we think we can obtain this national unity, or this ersatz nationalism, by skinning it off the hides of someone else. This cannot be done. We are greatly concerned about our centennial. We are rushing on at a frantic pace with the idea that we have something to celebrate, and we want to discover in our country a national spirit. So we have 200 mountain climbers climbing mountains, we have 100 canoeists canoeing down the river, and we have a high wire act and other such ambitious projects. However, this has nothing to do with banking. I do not want to deal with nationalism any further. All I wanted to do was to point out that it really has no bearing on banking. What we should seriously consider is whether we have good banking legislation.

The following question was raised by the hon. member for Edmonton West and by others: What is the definition of banking? It does not matter much what we say the definition of banking is, but we have identified it by the nomenclature we use. We have said that banks are institutions, and if one examines the definition of "institution" in its broadest or narrowest terms he finds that it is an organization established for the protection of souls, to guard established or cultural rituals. It is not active. This is exactly what our companies have become. They have become institutions.

We may well ask ourselves whether institutions, in their institutional way of thinking and doing business, help our industrial requirement for capital? I say they will not. The hon. member for St. Paul's mentioned that banks are like a club. Of course they are a club, and a very private one. They are a very inefficient little club with a monopoly.

There is something to be said for the charging of interest. But interest is earned through taking risks. Interest is usually the payment of money for the mere use of money, without a risk being attached to it. I submit that our banks, for the past 15 or 20 years if not longer, have not been in the habit of taking risks. They do not want to take risks. They say: We will lend you some money, but first we want to be absolutely certain that we will get it all back, and yet we want the interest on it. There is a place for this type of financing, but it is not the type which we will need in Canada for the next 10, 15 or 20 years. We have to have someone who is willing to take a risk and get the interest for it.

Our banks are not established in that way. In their minds, and indeed in our minds, they are institutions. Hon. members will recall that the original Bank Act, and in fact all our banking legislation—and this bill specifically —was devised to protect the depositors' money. That is the whole purpose of the Bank Act. It contains a large number of regulations specifying exactly what the banks can and cannot do.

We did not consider whether this was a good way to do business. What we have said

is: By following these rules we are going to make absolutely certain that the banks will be able to pay back the depositors' money. However, this is not the problem which will be facing us in the next 10, 15 or 20 years. We already have depositors' insurance, and that is an easy solution.

The object of the legislation should be to make the banks efficient and to allow them to give credit, with a calculated risk, so that our industries and our people can borrow to buy and expand their industrial potential, and indeed if necessary to buy other shares and other equities from foreign owned institutions. This bill does not do this. It is merely a coating of pieces of reforms on an act which was never intended to fulfil the function which all our banks now have to fulfil.

An argument was advanced at one time that banks could not take all these risks because their interest was limited. We have solved this. But having recommended a free interest rate over a period of time we have not changed the act as yet, or brought in any reforms which will give us protection and an ability to carry on the banking business in an efficient manner.

What changes in the bill could have been made in the committee to make it function as a good instrument of banking? I could suggest several changes, but first I should like to draw attention to what the hon. member for St. Paul's has said. He has given us a great deal of information regarding the directors and the managerial staff of our banks, and how they function. I want to suggest that I do not agree with all he said. The directors of the banks are not themselves bankers, and we all know this. They are gentlemen from all walks of life. They come from the right families and they are definitely in the establishment. Their main concern is to make no mistakes which might reflect on their good name. They do not make a living from the bank. They know nothing about banking. They do manage to scrape a few thousand dollars together on subscriptions of shares. The banks are closely interrelated with heavy industries. The directors can borrow money from the banks or from their companies, and they make their money through the share structure of different corporations, including the issuance of shares from banks. Their main concern is to have a place in all of these banks and in all the financial institutions.

I believe that if one were to refer to the press reporter's book, "The Vertical Mosaic" he would gain an insight into the ways in which the establishment really functions in our economic society. This is not banking. Indeed if those directors had to rely for their living on the bank, they would inevitably make the bank more efficient. From time to time the management and the advisory staff of the banks make recommendations for certain changes in policy. I recall hearing the president of a bank say that he has one job to do, and that is to take the advice of the management and then try to sell it to the board of directors. I asked what was the secret of his success, and he said. "If I can get 10 per cent of those recommendations approved by the board of directors I am very lucky because the directors are not that keen on improving the banking system." This is where the fault lies. Can anyone suggest that Mr. Rockefeller and Citibank would move into Canada if the Canadian banking system were efficient and competitive? We have thousands of branches of banks. We have more bank branches probably than churches. Why would he come in here? He is not a fool. The reason he wants to come is that he knows our banks are not doing the job, and that is why he can make a dollar at it. I have no objection to that.

• (8:40 p.m.)

This bill does not improve the banking position, nor will it make the banks more competitive. I notice the bill continues the same old provision with regard to proxies. The hon. member for St. Paul's mentioned this. He said that the directors are self-appointed; and so they are. I would have thought the minister or the finance committee would have introduced a clause into this bill to prevent the directors from sending out proxies. In other words the directors should send them out at their own expense and not at the expense of the bank. If there are millions of shareholders, it is a very expensive business to send out proxies in order to try to get votes. When the banks send them out at the bank's expense, the directors will continually be the directors.

If I read the bill correctly I find that if I wanted a list of the shareholders of the bank I would get a list that was four months old. In four months almost anything can happen to the shareholders. They may be all over the place by this time. This is not the type of bill I would have thought would have been presented. There is nothing in it about the near banks. I would like to know how anyone can say that this bill is going to make the banks more competitive in any way whatever.

I did not intend to dwell too long on the question of nationalism or foreign control.

However, there is a question I should like to put to the minister. Presuming that this bill passes, will it indeed bring the results that we seek? I wonder about the drafting of the bill. It would seem that in order to make this clause function in relation to the 25 per cent ownership, the bank would be the only one entitled to sell shares. Suppose at a certain time 24 per cent of the shareholders are non-resident, leaving a 1 per cent gap. Suppose, then, shares are sold on the market and, as in many cases, hundreds of thousands of shares are transferred to foreigners. The question then arises, whose shares are going to qualify for transfer? If ten people buy at the same hour on the same day, and after the shares have been transferred from non-resident to resident we find ourselves with 30 per cent foreign ownership, someone has to say that 5 per cent of those sales are not going to qualify for transfer.

The question then arises, who tells the people who are buying the shares? Do they know that they are taking a gamble? In other words, if this is to be done at all there would have to be a provision that the shares cannot be sold through the stock market but must be sold directly through the bank. This is the only way you can control the situation. Let us suppose this problem is solved, and I will put another question to the minister. If I read this bill correctly, there is nothing invalid about transferring more than 25 per cent of the shares. The only provision is that they will not be transferred in the books of the bank. Would it not be in line with the new law for anyone from the United States or Europe to buy 90 per cent of the shares of a bank? The first 25 per cent of the stock is registered but the remaining 65 per cent is not transferred, so that stock has no voting privileges. In other words, with the 25 per cent he owns he has all the voting privileges. How is this going to accomplish the purpose of the bill before us?

A further question comes to mind. The bill does state that in the event more than 25 per cent of the shares are sold or more than 10 per cent in so far as an individual is concerned, business conducted after that time is voidable. Does this mean all the loans made in that period of time are not valid? All these questions arise as a result of the provisions of this bill.

I say in conclusion, then, that there is nothing wrong with the Mercantile Bank coming into Canada and doing a good job of banking. I will say to this house that, having had some experience with United States bankers I find them much more in tune with the new requirements of banking. They are willing to take risks. In addition to that, they are willing to advise customers. They sit in and discuss customers' problems. Our banks will not do that. They say: We do not want your problems, we just want the money. I cannot see how this bill or any other bill at the moment is going to bring more competition into our banking system or make the banks more efficient. I will say this, that the introduction of a good, strong bank will set our banks on edge. Our banks will have to pull up their britches and do a good job of banking or they are going to be out in the cold. It is not our concern to protect the bankers. We need the tools; we need the money for our industrial potential.

What I should like to see is a concentration of our efforts to induce Canadians to buy shares and get dividends. Then these dividends could be reinvested so that we could see Canada grow in the way she should.

Mr. Lewis: Mr. Chairman, the decennial revision of the Bank Act gave the minister and this parliament an opportunity to revamp the law and to bring the banking machinery in Canada a little more up to date. It is my submission, Mr. Chairman, that the minister failed completely to do this in the bill which he presented to parliament, to the banking committee, and which is now before us. The bill makes a few useful improvements, as I shall indicate later. However, I suggest that it completely lacks imagination and is characteristically timid in its major aspects.

It seems to me there are four major areas in banking policy with which we have to be concerned. There are others, but I suggest these four are our primary concern. One is the level of the money supply at any time, and another is the level of the general interest rate at any time. The third is the level of interest rates for various classes of borrowers. The fourth, and in a sense the most important element, is the availability of capital to serve social purposes and national goals.

Now, Mr. Chairman, I think it can be said without having to be an authority on banking that the first two objectives, namely the level of money supply and the level of the general interest rate can be controlled through the central bank, and on the whole is regulated by the central bank; whether or not one agrees with the particular step it may take, it has that power.

• (8:50 p.m.)

I suggest that the important and deep concern we ought to have for the particular rates of interest charged various classes of borrowers, and for the allocation of available capital in the right direction to serve national purposes, is not reflected in the present banking machinery, and there is nothing in this bill which in any way assists our banking machinery to serve these purposes. That is why I suggest that, as I have said, the bill lacks imagination, and fails to meet the needs of a modern, technological society.

I want to make clear, in case the minister or anybody else is under a false impression about what I am saying, that I and my colleagues are not of those groups in the community that feel that all of our economic ills can be solved merely by playing around with the monetary or banking system. Our party does not accept that kind of approach. We are fully aware that monetary policy is only one of the tools that are available to assist us in promoting the right kind of development for our economy; nevertheless it is a very important tool, and it is a great mistake to play it down. It is important in two ways, Mr. Chairman. It is important to the economy as a whole and it is also important to many people such as small businessmen and individuals who need credit desperately from time to time.

As far as the large corporations are concerned, one need not be terribly worried about them. For one thing, during the last number of years they have developed their reserves and are able to finance a great deal of their development through internal financing. In any case they represent a pretty safe security and can obtain loans at the prime rate without much difficulty. However the small businesses and individual borrowers are under great pressure under the present banking system, and here again in my submission the bill fails to make the kind of adjustment that will be of assistance to the majority of the people in the two classes to which I have referred.

One of the basic weaknesses of the legislation which is before us, and of the government's approach to the problem of banking, is the failure to exercise a jurisdiction which, in my view, the federal parliament clearly has over all interest rates and all banking operations, whether those banking operations are performed by banks or by institutions other than banks.

The hon. member for Edmonton West referred at some length during his speech earlier today to judicial decisions of the Privy Council and Supreme Court of Canada establishing the clear jurisdiction that the federal parliament has in the field of interest rates and banking. I do not think, if I may say so without presumption, that there is any doubt that the federal parliament does have that authority.

After all, Mr. Chairman, one of the major reasons that the banks appeal to this parliament to remove the interest ceiling arises from their complaint that there is an interest ceiling for the banks but none for the near banks and other financial lending institutions, which places the banks at a disadvantage.

If I understand the matter correctly, Mr. Chairman, one of the reasons that the members of the banking committee agreed to the eventual removal of the ceiling on interest rates was to eliminate the disadvantage suffered by the banks, because of the fact that the federal legislation did not apply to the large financial corporations other than banks that did banking business. If I recollect some of the discussions of the committee in the reports I have been able to read, it recognized that the role of lending institutions other than banks—and therefore their role in controlling interest rates and the allocation of funds —was becoming an increasingly important one.

I say to the minister that there is no reason other than typical and characteristic timidity that this parliament should not have acted to deal with this question, although it may be that this particular bill is not the best framework within which to formulate legislation for the regulation and control of financial institutions, or the banking operations of financial institutions, other than banks.

However, Mr. Chairman, I can see nothing wrong with or illogical about the suggestion of the hon. member for Edmonton West that a bill of this kind could be in two parts, one part dealing with banks and the other part dealing with financial institutions other than banks. Whether or not we have one bill in two parts or two separate bills is a minor and irrelevant point: This parliament ought to have before it legislation providing for regulatory controls over all banking operations of financial institutions other than banks, as well as of banks.

Mr. Sharp: Mr. Chairman, may I just ask the hon. gentleman a question. Did he say "all

banking operations or all financial institutions"? I think I may have misunderstood him.

Mr. Lewis: I said all banking operations of financial institutions other than banks.

Mr. Sharp: Then may I ask another question for clarification. Would he include instalment finance companies, and so on, that are not carrying on banking?

Mr. Lewis: It may well be, Mr. Chairman. I think one would have to look into the constitutional problems there a little more deeply, though my impression is that the exclusive jurisdiction of the federal parliament over interest rates may easily open the door to dealing with even those institutions. But certainly there is no question of our power, I suggest, to deal with what are normally called near banks—none at all.

The reason that I criticize the government for failing to bring such legislation before us is that the government have had the report of the Porter commission in their hands for about three years. No one can suggest that this is a new idea and that there would be difficulties in drafting the necessary regulations or the necessary legislation to deal with what is, I appreciate, a rather complex problem. The recommendation of the Porter commission that the federal parliament pass legislation covering the entire field of banking has been in the hands of the government, if I remember correctly, for either just under three years or just over three years, so there has been ample time for the government and the minister's department to deal with this question.

I suggest, Mr. Chairman, that until such time that the federal parliament takes responsibility under the constitution for the entire field of banking we will take only half steps in dealing with our financial operations. All of the efforts that we will make to obtain some kind of control over the allocation of funds and over interest rates will, partially at least, be frustrated by the fact that a large proportion of our banking functions are being performed by organizations which do not come under the law.

The minister recognized this, of course—I am not telling him anything he does not know—and he introduced deposit insurance, making certain provisions to enable him to look into the books and regulate the operations of organizations other than banks which came within the deposit insurance scheme set up by this parliament. So as I say, Mr. Chairman, why the hesitation? This is the time to take action. This is the decennial review of the Bank Act and this is the time to have such legislation before us.

Mr. Sharp: Mr. Chairman, may I put another question to the hon. member. Since the Porter commission did make the recommendation that federal jurisdiction be extended over near banks, what in his opinion was the reason they did not recommend the retention of a ceiling on interest rates for all those institutions?

• (9:00 p.m.)

Mr. Lewis: I shall come to the interest rate later. I think, subject to what I want to suggest, there is good logic in not having any ceiling. I have agreed with those who have suggested that an arbitrary ceiling does not fit the situation, or may not fit the situation. When the interest rate goes up and a ceiling is imposed, though if certain institutions are included under the law there may not be problems of competition, none the less the ceiling will be pierced, avoided, evaded and a great deal of harm may be done. I am afraid I cannot look into Mr. Justice Porter's mind.

Surely, however, the minister's question is totally irrelevant to the point I am now making. Whether you have an interest ceiling or whether you have any regulation of interest rates in the way I shall suggest, we ought to have some regulation of the interest rate. And whatever you have, whether it is little or much, it ought to be applicable to all banking operations, if it is to be effective for whatever purpose you want to serve.

The minister, I suggest, had the power, the possibility, the time, and if I may so without flattering, the talent to deal with this matter; but he lacked, if I may also say unflatteringly, the courage to deal with this problem which ought to be dealt with, and ought not to be delayed for another ten years. We ought to have had legislation in one document, or two separate documents, to cover the whole field of banking operations. Until we do that we are not dealing with the banking problem in the way it ought to be dealt with.

My second point, and I shall only deal with three in this legislation,—and I find this point disturbing,—is the fact that we are proposing an increase in the interest rate ceiling immediately to 7¼ per cent. In view of the amendment made in committee where the formula for the removal of the ceiling is now based on a 5 per cent rather than a 4½ per cent floor for the debentures or securities we

are concerned with, and considering that the present average interest rate for these securities already is below 5 per cent, and no one expects the interest rate to go up this year, we are legislating in this bill an immediate increase in the interest rate from 6 per cent to 7¼ per cent, and we are removing the ceiling on December 31 of this year without providing any other regulatory machinery at all. After December 31 of this year the banks, as all other financial institutions, will be free to do as they please with the interest rates.

Mr. Sharp: As recommended by the Porter commission.

Mr. Lewis: Yes.

Mr. Sharp: The hon. member seems to quote only what suits his purpose, and not otherwise.

Mr. Lewis: That is right. I suggest that Mr. Justice Porter is exactly like the minister and exactly like myself, a human being. Some of his ideas are good, and those I accept. Some are not so good, and those I do not accept. The same holds true for the minister. Mr. Justice Porter did not write, I suggest, a holy scripture. Because I pick out one part does not mean that I have to accept the whole volume.

Mr. Sharp: The hon. member was quoting from it rather fulsomely.

Mr. Lewis: I was not quoting it fulsomely. I merely said that the suggestion to bring in the near banks was in the Porter report. The minister has had it for three years, and he could have done something about it.

Mr. Douglas: One need not accept every part of the report.

Mr. Lewis: I do not have to accept every part of the report. I can disagree with some of it, and I do. I do not disagree with the increase in the ceiling, and to some extent I do not disagree with the removal of the ceiling if there could be some other form of regulation of interest rates. If we cannot have regulation, at least let us have supervision of the interest rate.

Mr. Sharp: Then the hon. member disagrees with the Porter commission.

Mr. Lewis: On that point, yes.

Mr. Sharp: That is fundamental.

Mr. Lewis: I know that is fundamental. I appreciate that is fundamental to the Porter report.

Mr. Sharp: Yes, to the whole concept.

Mr. Lewis: I do not know about being fundamental to the whole concept. Let not the minister and I enter into an academic discussion about what makes a whole or partial concept. Let me say that this is one recommendation of the Porter commission with which I disagree. Other recommendations the minister disagreed with and I agreed with. This recommendation he agrees with and I disagree with.

May I say to him. I hope without offence, that what he agrees with and disagrees with and what I agree with and disagree with point up the differences in our social philosophies.

Mr. Sharp: May I ask the hon. gentleman whether he looked at the Porter commission report carefully. He has been quoting from it. Could I draw his attention to this one statement page 364:

> We recommend that it—

Referring to the ceiling:

> —be removed regardless of other changes in the legislation.

Mr. Lewis: I know that. I do not know why the minister had to read that. He did not have to read that sentence. I do not deny that the Porter commission recommended the removal of the ceiling. If the minister enjoys repeating the same thing three or four times I shall sit down and let him repeat it three or four more times; then without fear of being interrupted I shall go on with my remarks.

I will say that the thing he disagrees with in the Porter commission report, the extension of the law to cover all banking operations, and the thing he did agree with, the removal of the ceiling without any further safeguards, shows the differences in our social philosophies—shows the minister's typically doctrinaire private enterprise philosophy. The kinds of things I have accepted from the Porter commission report show our concern to make the banking industry function for the social goals of Canada as much as it is possible to do so.

I suggest to the minister that it is not a service to the Canadian people to remove this interest rate ceiling at the end of this year without, as I have said, providing any machinery for regulation or even for supervision

with respect to what the lending institutions will do with the interest rate later.

I do not have to tell hon. members, who know as well as I know, or perhaps better, that we normally deal with three different kinds of borrower, the individual borrower, the business borrower, and the borrower involved with mortgage loans. In my submission there ought to be some decent relationship between the rates charged to each class of borrower. If the classes can be subdivided further without creating confusion, by all means let us do so.

We ought to have some regulatory body perhaps the Bank of Canada is the best body—to ensure that the removal of the ceiling will not merely create an opportunity for the lending institutions—all of them instead of only some of them—to exploit particularly some of the small borrowers of the country. If the minister does not like a regulatory body, then I suggest, as urged by my colleague the hon. member for Nanaimo-Cowichan-The Islands, that we establish a publicly owned commercial bank in this country and take advantage of the Mercantile Bank situation to achieve that purpose.

This is another and very effective way of regulating the interest rate, or at least of influencing the interest rate and influencing the flow of available investment or lending funds in the right direction.

• (9:10 p.m.)

The hon. member for Edmonton West referred to the suggestion made by my hon. friend and said he was talking about a fetish of his—the nationalization of banks. I would point out that my hon. friend was not suggesting the nationalization of the banking system. He was suggesting that we take into the hands of the people of Canada through the government a commercial bank which we could make sure would function in the interest of the economy and of the people of Canada and which would introduce genuine competition into the banking system. No one can convince me that there will ever be competition among the chartered banks of this country, and I do not think the minister believes there will be. There may be, and there is, competition between them and other lending institutions; but that nice, cosy club the Bankers Association, is such that there will never be any real competition among the banks themselves. Very few people in this country believe otherwise.

[Mr. Lewis.]

Why this doctrinaire approach by the minister? Why does the hon. member for Edmonton West feel so outraged by the suggestion made by my hon. friend? The fact is that the government of Canada is already in the business of banking, either directly or indirectly, through a number of statutes which are on the statute books of this parliament. Let me mention a few. Under the National Housing Act, both by guaranteeing loans and by making direct loans we are in effect in the banking business. Under the Farm Credit Act credit to farmers is guaranteed by the federal treasury and loans are made to farmers at an interest rate of 5 per cent, if I remember correctly. This is an intervention by the government to make sure that farmers can obtain the credit they require without having to pay a usurious rate of interest. The Small Businesses Loans Act, even though it has not been very widely used or very effectively implemented, is intended to assist in the provision of credit to those engaged in small business who cannot obtain credit through the usual channels. The Student Loans Act is a form of banking into which this parliament has entered through legislation. The Municipal Development and Loan Act is another form of banking which this parliament has undertaken.

The Export Credits Corporation, by guaranteeing export credit, is engaged in another form of banking which has been undertaken by parliament. The Industrial Development Bank is an agency by which direct loans are made to business people in certain circumstances. Here are seven statutes which are on the statute books today, and there are probably others I have not thought of. Why does this legislation exist? It exists because the parliament of Canada found that the ordinary banking facilities and the ordinary banking methods based on making as much profit as possible and getting as high an interest rate as the traffic would bear were methods which could not serve the farmer, the student, or the small businessman who needed a loan and could not survive if he had to deal only with the banks or other lending institutions.

Why all this fuss, therefore because we suggest that in addition to this piecemeal kind of banking here and there this parliament and the people of Canada should set up a publicly owned bank in competition with the privately owned chartered banks as a yardstick, as a model, so that two things could be achieved.

The first would be the establishment of some indirect control over interest rates, because if this bank acted in the public interest it would apply interest charges which were justified, and because of its very existence the other banks would have to fall into line. In the second place it would help push the banking system into serving social purposes. If the private chartered banks were unwilling to make certain loans which the economy required, which fairness required, which equity required, then those customers could go to the government-run bank and, if it were run efficiently and in accordance with equitable social principles, its facilities would be available for them to use.

I ask: Who is doctrinaire? Who is being governed by a fetish or, as the hon. member for Nanaimo-Cowichan-The Islands put it yesterday, who is acting in accordance with irreverent religious faith if it is not the Minister of Finance and the hon. member for Edmonton West? What my hon. friend recommended in the committee and what he recommended in his speech yesterday was not anything doctrinaire; it was a practical proposition for a form of regulation, a form of public intervention which would make the banking system a little more human—note, I do not say "human"; I say "a little more human"—than in most cases it is.

This is why I feel very distressed about the bill which is now before us. My hon. friend from Nanaimo-Cowichan-The Islands supported the idea of giving Citibank five years during which to divest itself of the 75 per cent of its interest in the Mercantile Bank. He explained yesterday—and I fully appreciate and respect his position—that if we are not willing to buy up 75 per cent of the Mercantile Bank now and place it under public ownership, we should not be irresponsible and make it impossible for anything to happen—remain, as it were, in a strait-jacket. If we do not act sensibly and make Mercantile into a publicly owned bank, we should do the practical thing and give Citibank an opportunity to divest itself of the 75 per cent interest as the legislation requires.

What will happen during these five years concerns my hon. friend; it concerns me, and I hope it concerns the minister. In these five years the Mercantile Bank will become a much more powerful institution. I hope that before all the clauses of this bill are finished with, the minister will be able to assure this parliament that he has ways and means of obliging Citibank to divest itself of 75 per cent of its interest in Mercantile Bank within the period allotted.

I sincerely hope that five years from now we shall not find ourselves in an even worse position than we are today because the shares of the Mercantile Bank will be much more expensive, the bank will be a much more powerful institution and the government of the United States, particularly the secretary of state of that country, will be even more angry at any steps which may be taken to deal with an institution which will have become much more powerful than it is now.

The Chairman: Order.

• (9:20 p.m.)

[*Translation*]

Mr. Mongrain: Mr. Chairman, I shall try to be brief. At first, I was not going to take part in the discussion of this bill, because I find it very technical and I readily admit my incompetence.

But I want to tell the house what happened to me last night. I was reading a newspaper from western Canada which reported: The review of the Bank Act has been awaited for two years and it is to be hoped that, after all the time lost on the Munsinger case, the Spencer case, unification, the flag debate, the furniture matter and all that, our parliamentarians will take the time to discuss the Bank Act and to express the views of the poor man.

It is therefore the poor man's point of view that I wish to express this evening, Mr. Chairman, and my remarks will deal with that masterwork of technical complexities, the details of which baffle me, as is probably true also for a great number of members.

Interesting points of view were expressed to which I listened very attentively, because I think I am not the only one concerned with trying to pass legislation that will be able to meet the needs of the mass of the people. Other members have the same concern while expressing other points of view, but the views of an independent member possibly contribute something different.

For instance, I have listened attentively to my friends of the Ralliement or others who, with exemplary conviction, preached monetary reform and, at this point, I should especially mention how much I admire the force of conviction and the tenacity of the hon. member for Compton-Frontenac (Mr. Latulippe). We know the member for Compton-Frontenac as a modest man, as a man who normally does not seek the starring role but who is inspired by such a deep-seated conviction that he will

not hesitate to face any provocation to try to promote his belief in monetary reform, and I believe this homage is due to him that he is sincere. Even though we may possibly hold a different opinion on his conclusions, even though we are not inclined to go as fast as he would like us to, nevertheless we must recognize his obvious sincerity.

The Créditistes consider finance in relation to the people and want to preserve free enterprise.

Our friends of the New Democratic Party, for their part, go slightly further; they want to make finance serve the people and to that end, they favour state ownership of all organizations that are sources of finance in the country. Listening to them, I sometimes say to myself that there are in that many sensible views dictated by circumstances in a way, but mostly by this anxiety that is spreading among the masses as to the extent to which our financial system is revealed as powerless and a failure as far as the problems of our times are concerned.

Conservatives and Liberals hold a different viewpoint. It is rather a search for modern techniques to ensure the survival of the present financial system. Of course, that might be explained by the fact that, in those two great parties, there are more millionaires, more directors of companies than in the others; it might be also—it was said viciously and I do not know to what exent it might be checked—because the financial circles contribute more generously to the election funds of those two parties. But their preoccupations are obviously different.

Personally, Mr. Chairman, I would just like to say that tonight I am speaking for the poor devils, the ordinary people who wonder what that heavy and complex text will mean for them. As a matter of fact, what will it mean for the small people who never had a large bank account, who quite often are in the red, just like the grocer and the butcher who supply them, the merchant where they buy their clothes, whose credit is cut and who is then forced to limit his operations.

That is what the great majority of Canadians are concerned about. It is not a matter of knowing whether the method will make a few more rich people or a few less; it is not a matter of knowing whether banks will be a little more or a little less solvent, whether they will get a little more or a little less competition. This reminds me of certain words by Péguy, who said: What do I care if some people have more wine in their cellar, or more castles; what concerns me is whether the poor will find their bread tomorrow morning.

Such is the concern, then. I say there is a concern margin in this bill, for people say to themselves: For ten years to come, the economic life of the country is being settled, it is being decided now, in periods of prosperity, we, the poor, shall be treated. In periods of prosperity, they say: Well, there must not be too much for fear of inflation, and in depression periods it is: Well, there is no money. So, again it is hardship for the poor.

That is when the Independent that I am wonders, Mr. Chairman. I tell myself that truth is not intangible, that it does not look red or blue to me. It does not even look gray—if I may so characterize the N.D.P.—nor green—if I may apply that color to the Créditistes. I say that there is still something which seems to me very sensible in the Créditiste or N.D.P. theories, something we will have to try to combine, before long, with the orthodox doctrines of the two old parties, in order to face the challenges of the times. Otherwise, the day may not be far removed when the people will revolt in the face of that ever recurring situation: when there is money, there is inflation, too much production, and tightening measures are taken to prevent inflation; when there is not enough money, privation ensues with all it entails.

Mr. Chairman, I commend them for their strong convictions, for the seriousness of the arguments they have put forward, and I refer particularly to the hon. members who have expressed what I would call views of the "common people." Most of the speeches I have heard were from members of the New Democratic Party and from Créditistes. I say this as an Independent member who might stand his ground against them one of these days, but I think truth should prevail.

This concern, Mr. Chairman, takes many forms. For instance, not too long ago, I read this report in the financial page of a large Montreal newspaper, *La Presse*, and I quote:

> According to Mr. R. B. MacPherson, an economist with the DuPont Company of Canada, the country will go through a depression between 1968 and 1970. He made this grim forecast in a speech delivered this week before the members of the Montreal Rotary Club.

Mr. Chairman, when one sees that the federal government is controlling the economy, that banks, after all, are institutions applying daily the general policies of the federal government, when one sees that the future is that grim, how can simple people like us, who did not have the opportunity of learning all the intricacies of our financial system, not be concerned about the future?

Has any thought been given, when drawing up those laws—because I have always been told that financiers and even financial experts had neither heart nor soul; but they must have, for even financiers have some concern, as human beings, although it seems to me they do not when they are drawing up laws—to the effects they would have on the mass of the Canadian people, on the small wage-earner who, becomes jobless, or on the small business man whose enterprise is placed in jeopardy when their credit is cut off? I wonder, and I am really looking at this objectively.

But the economist I have mentioned is not the only one who is pessimistic. I see in the *Commentator*, another English magazine from Toronto—a financial centre if there ever was one—an article which I would like to quote verbatim so as not to run the risk of translating it badly:

[*English*]

If we look back over the budgets of the five years ending this coming December, we see that we had substantial budgetary deficits every year and that these aggregate close to 2.5 billion dollars. In a full ten-year period, the total comes to about 3.6 billion dollars; in only one of these years was there a surplus. You don't have to be an accountant or an economist—indeed one needs no expertness at all—to know that this is a financially precarious course. How can we disagree with some "authority" who forecasts a financial collapse down this road of continuous extravagance?

• (9:30 p.m.)

[*Translation*]

Mr. Chairman, once again, for simple minded people like me and the people on whose behalf I speak, such statements are rather disquieting and I cannot but recall this caricature which appeared in the *Globe and Mail* a few days ago. It showed a poor devil, in rags, unshaved, standing on a street corner where a lot of well-to-do people were going about—it must have been Bay Street, in Toronto, or St. James Street, in Montreal. He had in his hand a small tin and on his chest a sign which went something like this: "Please help me. I have a wife and three governments to support." There is no doubt that he was in a rather serious situation and it is more or less how he feels when confronted by all those complicated illustrations put before him now.

I should like to quote another testimony to show that not only in simple circles are people concerned with the financial future and wonder whether the banks' role will be the creative role it should be, whether it will promote intense circulation in the economic arteries of the nation.

In a lecture delivered in 1966, Mr. Neil J. McKinnon, chairman of the board of the Canadian Imperial Bank of Commerce, said:

—there is a shortage of investment capital throughout the world, and in a country where this shortage is such as in Canada, foreign investments should not be discouraged.

Mr. Chairman, that worries and puzzles the simple people that we are, because without foreign investments, especially with the present controversies, economic development will slow down rapidly.

And Mr. McKinnon adds:

Very substantial capital investments are essential to improve production processes and increase productivity.

Well, it was said this afternoon that there are about 390,000 unemployed in Canada, and 160,000 of them are in the province of Quebec. A few days ago, I read an article stating that, in addition to these 390,000 unemployed, there must be from 100,000 to 125,000 unemployed who are not registered and not included in statistics.

Mr. Chairman, it must be admitted that this situation does not help the butchers, the grocers who want to see their bills paid and who know what worries are.

The chairman of the board of directors of the Canadian Imperial Bank of Commerce said further:

On the other hand, if American investments in Canada are very high, Canadian investments in the United States are also substantial. Direct investments of United States citizens in Canada amount to $63 per capita, and holding investments, to $33 per capita. Direct investments of Canadian citizens in the United States amount to $97 per capita, and holding investments, to $66 per capita. On this basis, Canadian investments in the United States exceed by two-thirds those of United States citizens in Canada. Total investments of American citizens in Canada, according to the latest statistics, amounted to 18 billion dollars, and those of Canadian citizens in the United States to more than three billion dollars.

This might look like double dutch to many of us, but we can still understand that considerable sums are involved. Does it reflect the situation accurately? Should we infer that our federal government, with the support of

banks, is unable to control that modern financial system supposedly responsible for that tremendous prosperity which, nevertheless, allows half a million unemployed and hundreds of thousands of poor families, as reported in the official statistics of the federal government?

It is the concern of the average or poor citizen that I want to express this evening in connection with the bill. I want to tell the minister and his departmental technicians who are well meaning, of course, but more inclined perhaps to hear only one side of a question, that of technicians expert in this complex international financial organization, which is perhaps more interested in preventing banking bankruptcies than in ensuring decent living conditions to most Canadian people.

I must confess, Mr. Chairman, that it is unwise on my part to talk that way, because I am not one of those with whom banks are making money; on the contrary, I am rather one of those who need banks and who are quite often in the red. I do hope the banks will not blame me tomorrow morning for such outspokenness concerning certain feelings that strike me as being true, now that I have listened to a number of more experienced colleagues.

And what I am saying here is so true and so vital. It was not so long ago that we read in the newspapers that the premier of the province of Quebec and his counsellors had to go to Bay Street, in Toronto. They also had to go to Wall Street, in New York. And it was in order to beseech the people there not to forsake the province of Quebec, but to permit it to take advantage of certain capital for, as they were reported as saying, the day is not far distant where the situation will not be a bright one. In fact, this represents a problem once more, that concerns poor people like us. This bill concerning banking reform is going to seal the fate of most of the Canadian people for ten years to come.

Now, we would like to strike this note to be sure that thought has been given to this proposal. If it is not possible, in this bill, which is one of complicated technicalities, to include everything, we should at least bear in mind the concern which should be underlying any piece of legislation passed by this house.

Further to the evidence I just gave, with a view to point out the concern of the Canadian people—the average Canadian, the poor fellow—faced with the financial situation which is, after all, always characterized by the part played by the banks, I will quote the hon. Minister of Finance and Receiver General (Mr. Sharp) from a comment which appeared in another newspaper, that is *La Press* dated February 23, 1967, and written by a newspaper man who is a specialist in economics and financial matters. Here is what he said:

> According to the analysis made by Mr. Sharp, the federal authorities have endeavoured in recent years to develop the Canadian economy by working in the field of capital as well as that of the manpower and foreign trade.

I think this is true.

> Yearly important gains have been obtained in the Gross National Product and in the reduction of unemployment. The impetus brought about by these various governmental policies has led, however, to inflationary pressures since several months. In this new context, Ottawa has used the monetary and fiscal policy in order to check the trouble in the field of prices but, according to Mr. Sharp himself, mistakes have been made because the adjustments put into effect have not eliminated the evil at its very root, which is essentially characterized by insufficient productivity and its inevitable consequence, that is excessively high prices.

Mr. Chairman, I am of those who support the financial policies of the government. I think I shall continue to do so because I promised my electors I would. I promised to do so when major issues are not at stake, regardless of the government in power. I am still willing to support the government also because I feel that it does what it can under the circumstances and I believe the minister is competent.

However, the fact remains that I must see to it that what I call the voice of the poor is heard. That is neither superfluous nor uncalled for. And I repeat, I do not feel ill at ease in doing so, considering the time that has been wasted in this house, for instance, in a quarrel over a flag, which took three months to divide the country, and for such an insignificant matter as the Munsinger affair which holds no appeal for people of taste such as we are, the members of this house. Let the voice of the poor be heard that those who in this house are responsible for the finances of the country may be reminded that the needs of the mass, the small wage-earners, should always be the first consideration and source of inspiration in our legislative measures.

• (9:40 p.m.)

And I am passing over a few things, Mr. Chairman, in order to give a brief summary of my conception of the new bill and express a thought. And to be sure of not misleading

anyone, I shall quote textually the summary handed to us by the minister of his proposed review of the Bank Act.

According to him, that review of the Bank Act comprises 14 key proposals. Let us go over them briefly:

1. Banks will be forbidden to hold more than 10 per cent of voting shares in other companies, including near banks.

2. By forbidding directors of near banks to sit on the board of directors of banks, the new act will remove the overlapping of boards of directors which prevents competition.

3. Directors may not sit on the board of two banks.

4. Not more than one fifth of the directors of a company may be directors of the same bank.

5. Agreements between banks on interest rates are prohibited. The basic principles of the Combines Investigation Act will apply to the banks.

6. The ceiling on bank interest will be eliminated when credit conditions ease off.

It seems that it will be done.

7. In the meantime, there will be a slight relaxation of the maximum rate to help immediately the small borrowers and to take into account the general trend of the interest rates.

8. Banks will be required to disclose in detail their revenues and expenditures and, for the first time, their hidden reserves.

9. A federal provincial conference on consumers' credit is foreseen.

10. Federal project of insurance deposits—

11. Federal plan of insurance deposits to promote the setting up of new banks.

12. Banks allowed to grant mortgage loans—

13. Issuance of bonds—

14. Two levels of cash reserves will be required in respect of these two classes of deposits—

I find all this very good, except that it does not entirely remove worries from those I would call "the poor devils".

I already see that there will be conflict with at least one province about insurance deposits. When you look at the list of those bank directors, you find that at the same time they are all directors of large Canadian corporations. Now, this means that, in the final analysis, it boils down to a not so long list of big financiers who are the directors of our banks and large corporations. In looking at all this, well, the poor soul wonders: Is the purpose of all this not to make sure that banking institutions will get protection against the hazards of the various financial seasons, which have their ups and downs, or against competition from foreign banks, or against the cost of certain modern progress, rather than to make sure that these banks will really serve the poor, to help them have a minimum standard of living to which they are entitled in the democracy in which they live?

I assure you, Mr. Chairman, that it is a worry. I lack the competence to say to what extent or in what way that could be avoided. I am just saying that after studying the theories put forth here in this house, I have reached this conclusion: what seems lacking in this bill is the human touch, some concern for the problems of the people which remain forever unsolved, for instance unemployment, the lack of capital which forces the small contractor or the owner of the corner store or the worker to deal with finance companies which make them pay prohibitive interest rates. That does not seem to solve the problem ever. I admit that it worries people who, like me, are seeking the truth, so much so that they have to ask themselves questions.

And we see some astounding things. For example, in the *Financial Post* of January 19, I read a report which struck me and pleased me because I had said to myself: It is a good sign; when the Minister of Finance brought out his last budget he told us that it would prevent a too painful inflation period. I voted with the government in that respect; it achieved some success. Consequently, I will quote that editorial of the *Financial Post:*

[*English*]

The government's venture in restraint has been remarkably successful. By the last quarter of 1966, living costs were rising less than half as rapidly as in the first quarter. Prices of industrial materials at wholesale dropped 4.4 per cent during the year (against) a 4.5 per cent rise in 1965.

[*Translation*]

I then said to myself, that is good. But after another look, in March 1967, I said: There is not less unemployment, there is not more money. We have been hearing about such things for years. Some may tell me: if the minister had failed to act as he did, the situation would have been worse. Yes indeed, and I am grateful to the minister for having had the foresight of taking such action last year. But I am beginning to think: would it not be advisable to change the system instead of simply changing a few parts of the machine, as is being done at present? I now wish to quote an item of the Canadian Press from Vancouver reporting a statement of the president of the Laurentide Financial Corporation:

Mr. Peter Paul Saunders did, however, admit that the monetary restriction would have the advantage of slowing down the economy which is presently overburdened and to check the actual threat of inflation.

Then, for whom is inflation a danger? For the financiers, of course; for the poor, of course, because should it occur, costs would become prohibitive. But are we going to start all over again, every four or five years, with the result that whenever there is money, we will have to take steps to restrict consumption, by fear of inflation, and when there is a shortage, the poor will have to tighten their belts.

I wonder, Mr. Chairman, and I believe that my concern is sincere, for I am not yet a socialist. I still believe in the capitalist system, but I say that this system is being challenged, that if it does not take up the challenge soon, it will have to answer certain questions, to face certain upheavals. I think that my colleagues, who are now listening to me, know that I am not biased, and that if I show narrow-mindedness, it is not intentional.

I am trying instead to give a warning which I hear whispered in the masses—and the problem is not settled.

Mind you, I have no intention of blaming the government. This represents probably a global legislation so important that its preparation and implementation would take years. But I say to the government that time has perhaps come to listen, and not to say at the outset: Well, the Créditistes are wrong, they are dreamers; or else: Well, the N.D.P. members are socialists, they are wrong, they are dreamers.

I wonder whether we should not take something from all these theories. And then, it is not necessary to say it, because I see on another financial page—which I shall not quote to spare time—the following title:

Did Ottawa choose the right solution?

Mr. Chairman, I almost wish to close with an extract by somebody who advocates the Mr. Douglas' theory of Social Credit, but I will spare you and shall only say this: There is, among Canadians, a great concern about what I call the failure of the financial system in which we live. The financial system has perhaps prevented a greater evil, but it did not give that minimum comfort which the people expect in our modern times.

Now, this is the challenge that the government will have to face.

[*English*]

Mr. Mackasey: Mr. Chairman, in view of the fact that tomorrow is a very important day in the history of most enlightened people, because I will not be here and I understand that another Irishman from the riding of Rosthern will be delivering a speech, I am hoping that when ten o'clock comes hon. members might celebrate St. Patrick's day by permitting myself and the hon. member for Rosthern to complete our observations on this particular clause of the bill.

I have listened with a good deal of attention to the discussion on the bank bill during the last two days. Like most hon. members I was impressed by the chairman of the finance committee and the way in which he conducted 70 or more meetings. Although I joined that committee very late in its hearings, I think this was a perfect example of how the committee stage can work, and how committees of the House of Commons can perform an important function, provided the members forget extreme partisanship and are objective in performing the task given to them by the house. I think it is safe to say that perhaps there is more interest in this bill than ever before in the history of Canada in regard to any legislation governing banks and our financial institutions.

• (9:50 p.m.)

Canadians for generations have been proud of the record of their chartered banks. I suppose all of us at one time or another have repeated the story that our chartered banks did not fail during the depression as did the banks south of the border, and we have become a little complacent about our banking institutions. Our bankers stand up with pride and, for instance, point to the vast sums of money they are lending under the Small Loans Act. When we look at the fine print and find that practically all these loans are paid, and that the federal government is rarely called to meet its obligations as guarantor we realize that the banks are taking little risk in making these loans. However, recent failures in the field of near banks have made Canadians a little more apprehensive about our banking system and our financial institutions. Certainly if there was any intention or inclination on the part of Canadians not to be interested in the present Bank Act their attention would have been focused on the banks forcibly by the unexpected events concerning the Mercantile Bank and the so-called cabinet leak.

Most speakers have spoken very eloquently about the Bank Act. The hon. member for Labelle made a very intelligent and thoughtful opening speech concerning the Bank Act and the Porter commission report, a better speech than I could possibly deliver. However, I should like to speak on one aspect of the

whole problem which perhaps was somewhat clouded in some of the recent events. First of all let me say that I do not pretend to know whether the philosophy behind the present Bank Act is the best one for Canada. I have read the recent speech of the former chairman of the Bank of England, Lord Cromer, who warned the western world and Europe that economic nationalism could impede the flow of capital in contrast to what took place in the nineteenth century. I have listened with great interest and read the speeches of the president of the Royal Bank of Canada who endorses the same views. If time would permit me I would quote an extract from "Barrons" which castigates not only Canada but also the United States and most of the other countries of the world for what they consider to be their very restrictive policy, so far as the flow of capital is concerned.

However, the one thing that is important to me as a Canadian is that regardless of what action we take and what philosophy we endorse, of whether we believe that the banks should be entirely Canadian or should be open to people from all over the world, it should be our decision to make, without the pressure of outside corporations and without the pressure of any country in this world no matter how friendly that country professes to be. That is the right of Canada as a sovereign nation.

I was appalled at the degree of pressure that was put of this government by the White House and by the various interested groups in the United States. Efforts were made to discredit the former minister of finance. I am sure very few people in the house were surprised at the testimony presented to the committee which proved that the events as outlined earlier by the former minister of finance leading up to the purchase of the Mercantile Bank by Citibank corresponded with facts. This does not surprise those of us who know the hon. member for Davenport. I have said in the house and I do not mind repeating it that regardless of what he accomplishes in the rest of his political career he has been the man responsible for preventing the further erosion of our publications. He had the distinction of putting forward in the House of Commons legislation which prevented the sale of our newspapers to foreign interests.

Mr. McIlraith: Mr. Chairman, I wonder if progress could be reported for the purpose of making a motion to continue the sitting for a short time?

Progress reported.

Mr. Deputy Speaker: Is it the wish of the house to consider this bill at the next sitting or later today?

Some hon. Members: Later this day.

Hon. G. J. McIlraith (Minister of Public Works): Mr. Speaker, I move, pursuant to standing order 6(2), that the house continue to sit until not later than 11 o'clock p.m.

Some hon. Members: Agreed.

Motion agreed to.

BANK ACT

DECENNIAL REVISION AND EXTENSION OF CHARTERS

The house resumed consideration in committee of Bill No. C-222, respecting banks and banking—Mr. Sharp—Mr. Richard in the chair.

Mr. Mackasey: Mr. Chairman, I thank hon. members for their courtesy.

I was speaking of some of the accomplishments of the former minister of finance. Before I get back to the subject of the Bank Act I might remind hon. members that as the former minister of finance he brought in legislation to protect our insurance companies and our trust and loan companies from passing further into the hands of foreign investors. It is no secret that I am a strong believer in many of the ideas and much of the philosophy of the former minister, but it is equally true that I am also a supporter of the present Minister of Finance.

I think that the biggest problem we have had in the last few weeks is that many of our newspaper writers have not understood the present Bank Act. I could mention one editorial which appeared in the Toronto *Star* three nights ago whose author tried to make out that the present Minister of Finance has changed in some devious way the philosophy and the spirit of the act as enunciated by the former minister in 1965. I suspect that such newspaper writers are not doing a proper service to those people who believe what they read in the newspapers. I might quote for instance this statement, which appeared in the editorial to which I have referred:

> Two vital concessions—vigorously opposed by Walter Gordon and the nationalist wing of the Liberal party—have been offered the National City Bank of New York (Citibank). Citibank purchased Mercantile after being warned they could not expand unless they abided by new Canadian banking rules.

The banking committee agreed that Citibank will be allowed to retain a 25 per cent interest in the Mercantile Bank of Canada, now its wholly owned subsidiary.

Mr. Chairman, this was contained in the original Bank Act of 1965. The 25 per cent interest which Citibank was allowed to retain was a provision also contained in the original Bank Act, and no action of the banking committee nor any amendment brought in by the present Minister of Finance have in any way changed the magic figure of 25 per cent. So, I think in all fairness to the present minister, when we get to a clause by clause study of the bill some of these things should be appreciated. I am pleased, as one member of the committee, to repeat here tonight that there is no difference in the philosophy of the present bill and the bill which would have normally been adopted had the election not interfered with its passage.

• (10:00 p.m.)

Now, Mr. Chairman, I believe that, if anything, the present bill is a little more restrictive of Citibank and other large groups of investors. It is more restrictive because some of the loopholes that existed became apparent to members of the committee and were properly blocked. There is one, however, that bothers me a little and I hope to get to it in a few minutes. I will make a suggestion to the minister, but whether or not he intends to do something about it will be up to him.

I am rather pleased, Mr. Chairman, to see the front page of the Montreal *Star* tonight. There is a headline which reads, "U.S. Reverses Stand on Bank Control". This is one of the types of harassment to which the government felt they were being subjected at the time of the Mercantile controversy. I like to think that the remarks the Prime Minister made on the program "The Nation's Business" on February 1, 1967, pretty well summarized the philosophy not only of our party but all parties. In mentioning our relationship with the United States, he said:

There are two dangers, however, which we must avoid in the search for fair and acceptable solutions to our problem. The danger on the Canadian side is an oversensitive nationalism, defensive rather than aggressive; based on the feeling, and the fear that as the weaker partner we are too dangerously vulnerable to the effect of the decisions of the friendly giant that lives beside us. The danger from the American side is ignorance of our desire, yes, our determination, to remain independent and separate; and an inability on their part to understand our refusal to accept the doctrine that what is good for the United States must necessarily be good for Canada too.

[Mr. Mackasey.]

Now, Mr. Chairman, the the main conflict with Citibank and Mr. Rockefeller resulted from their failure to understand that we respected our sovereignty, that we have a right to control our own destiny and that the Bank Act becomes a charter for our Canadian banks. We have the right, therefore, to change the rules every ten years. Once Mercantile Bank accepted this philosophy, once they realized we were firm on this particular point, once they realized that as a Canadian chartered bank they had a responsibility to respect the laws of this country, not adopted by this party but by this parliament, they stated quite definitely in a telegram placed at the disposal of the committee by the present Minister of Finance that they would respect this law. I can assure you that, to the best of my knowledge at least, in any role I may have played wittingly or unwittingly, no concession was given to Mercantile Bank in return for their realization of our determination to run our own affairs. For that matter, none was asked. The moment Mercantile Bank respected the Canadian philosophy in this bill, then we in the banking committee felt it would be fair play if we were to help Mercantile Bank adjust to the restrictive clauses that exist in the bill and which existed in the previous bill tabled in the house in 1965.

I should like to say—and I am watching the clock—something about the cabinet split and the newspaper headlines. I notice the hon. member for Ontario looking at me quizzically, but I am not a member of the cabinet nor have I been. He was a member of the cabinet. I say, what type of cabinet would this be if we had 24 members all sharing the same philosophy, all left wingers, all right wingers, all uniform in their thinking? Is it not the purpose of cabinet to represent all segments of society, all philosophies and all political thought?

Mr. MacInnis (Cape Breton South): Solidarity.

Mr. Mackasey: That may not be true across the way, but it is the way it should be. All Canadians in this country are entitled to representation in cabinet, whether geographically or any other way. The purpose of cabinet is to form a consensus and to—

Mr. MacInnis (Cape Breton South): Would the hon. member permit a question?

Mr. Mackasey: Not now; I will at the end, if I am given time, because I am racing the clock. If the cabinet wants to leak what goes

on in cabinet, then I as a backbencher can only look upon this with a certain amount of disbelief at their willingness to destroy themselves.

That there should be controversy in the cabinet over an issue such as our banking law should surely surprise no one. I do not know whether such controversy does exist, but I do know that it beclouds the issue, which is that the banking committee in an objective spirit, representing the best brains of all parties —myself excluded—brought forward a bill consisting of polished amendments which were accepted unanimously, which I hope will be debated in this chamber from here on in with that same spirit of objectivity which prevailed in the committee, and to which reference has been made by members of all parties today.

Mr. MacInnis (Cape Breton South): Would the hon. member permit a question now, while he is reaching for his glass of water?

Mr. Mackasey: When I am through. I mentioned earlier—and I jump straight to this so I have time to answer the question—that I should like to make some reference to the evidence before the committee. As reported at page 2942 of the Minutes of Proceedings and Evidence No. 42 the Minister of Finance, in answer to a question, said:

> If the National City Bank had definite plans for reducing its holdings in the Mercantile Bank to 25 per cent I believe it would be in the Canadian interest to facilitate those plans.

That was the philosophy behind permitting this five year period, to come to the restrictive clause 75(2)(g).

Further on the minister re-emphasizes the fact that loopholes in the bill must be plugged. He referred to an amendment that he intended to introduce, and which he did introduce and which members of the banking committee accepted. As reported at page 2956 he said:

> Such an amendment would not prevent the shares being sold to residents of Canada. It would prevent them being sold to residents of the United States, including the present owner of all the shares. However, the decision on whether to permit an increase in capital per se remains within the discretion of the governor in council.

To save time, Mr. Chairman, on several occasions during the committee hearings the minister emphasized the following points. If a bank—any bank, including the Mercantile Bank—were to appeal to the governor in council for permission to increase authorized share capital, those shares would be made available to Canadians only whenever at least 25 per cent of the shares of that particular bank were owned outside this country or more than 25 per cent of the shares remained in the hands of any individual. The minister repeated that on half a dozen occasions.

• (10:10 p.m.)

What bothers me, and I say this directly to the minister, is that I am not certain in reading the bill that the governor in council necessarily has that right. I suggest to the minister, and this might be implemented on the appropriate clause and I am not sure which clause it is, that we ensure that whenever a bank receives permission to increase its share capital, no individual, as defined in the act, be permitted to add to his shares so long as he or his group owns more than 10 per cent of a bank. I am not talking of a specific bank; I am talking of any bank; and more than one bank is in that particular situation. This would guarantee the carrying out of the minister's intention, as he has stated it on several occasions in the committee.

I say these words in a spirit of co-operation. I have pointed out what I believe is the only flaw in the act. I bring it forward for one reason only, because the minister has spoken about this matter half a dozen times in committee. I am not the type of person who likes to play dirty pool, but I would not want to be party to the changing of any act, as it affects the Mercantile Bank or anybody else, once those people have accepted the principle of pro-Canadianism as outlined in this measure. I shall say now, notwithstanding that I am in the house—I would say it were I not in the house—that if the government tries to reduce the five-year period granted to the Mercantile Bank for the application of clause 72(2)(g) I would vote against such amendment, if the minister were to bring it in.

Mr. MacInnis (Cape Breton South): May I ask a question?

Mr. Mackasey: One moment, please. I shall put on my hearing aid.

Mr. MacInnis (Cape Breton South): I shall make myself heard. I wanted to ask the hon. member, when he was dealing with the point, since he is making a poor job of excusing the controversy—

Mr. Mackasey: On a point of order. If the hon. member wishes to ask a question for information I shall accept it. If he wants to use the opportunity to get his version of things in, and to colour the question, then I do not intend to cede him the floor.

Mr. MacInnis (Cape Breton South): I was not under the impression that the hon. member had ceded the floor.

Mr. Mackasey: For what excuse is the hon. member up.

Mr. MacInnis (Cape Breton South): The hon. member sat down before I had asked him whether he would answer a question.

Mr. Mackasey: Does the hon. member wish to ask a question now? I shall sit down to allow him to ask it.

Mr. MacInnis (Cape Breton South): Since the hon. member is getting so touchy I shall wait until he is through. He cannot be too long; he will run either out of water or out of words.

Mr. Mackasey: May I put it to the hon. member that I hope never to run out of brains which the hon. member ran out of a long time ago.

Mr. MacInnis (Cape Breton South): On a question of privilege, let me say I can think of many important differences between us.

Mr. Mackasey: I am sure we could exchange those for a long time.

Mr. Knowles: Next speaker.

Mr. Starr: Time.

Mr. Mackasey: Mr. Chairman, I hope when we approach the various clauses of the bill that we realize the precise size of the Mercantile Bank as it exists today and realize that in five years that bank can be a sizeable operation with assets of up to $1 billion. For those who are concerned with the danger of the Mercantile Bank becoming too big, and I think an hon. member mentioned this earlier in the evening, let me say this: The law is very definite. Any bank with more than 25 per cent of its shares in the hands of individuals or groups will have to combat certain liabilities. I forget in which clause of the bill this is mentioned—I think it is clause 145(5)—but there is provided a penalty of $1,000 a day where a bank with more than 25 per cent of its shares in the hands of an individual exceeds the 20 to 1 ratio.

Fear has been expressed by some people whose opinion I respect that Mercantile will make no effort to dispose of its shares until the last day of the fifth year. I think most people would agree that the bank would be most unlikely to dump 50,000 shares, or whatever the number may be, on the stock market in one day. The chances are that Mercantile and other banks in a similar situation would wish to dispose of their shares as the opportunity arose or whenever it was in their best financial interest to do so.

I notice that my time has expired and once again I thank all members of the committee for giving me this opportunity to complete my speech.

Mr. MacInnis (Cape Breton South): I wonder if I might direct a question to the hon. member before he sits down.

The Chairman: The hon. member may proceed.

Mr. MacInnis (Cape Breton South): I will make a brief comment, first.

Mr. Mackasey: Ask the question.

Mr. MacInnis (Cape Breton South): The hon. member made an attempt to alibi the controversies within the cabinet. Would he be courageous enough to alibi the controversies which have taken place outside, and which cannot be denied? What value has the hon. member for Davenport, in relation to the more than 15 seats in the Toronto area, as compared with the Minister of Finance? Apparently the Minister of Finance is rated lower.

Mr. Mackasey: There are about six questions there. Which one would the hon. member like me to answer first?

Mr. MacInnis (Cape Breton South): Let us deal with the controversies outside the cabinet.

Mr. Mackasey: I suppose the hon. member was so anxious to ask this question that he did not hear what I said about the controversies outside the cabinet. I said they were deplorable. Look at *Hansard* tomorrow. I made it clear what I thought about the controversies outside the cabinet. I said I deplored them as a backbencher and considered them to reflect a philosophy of self-destruction. This is precisely what I said and the hon. member will see it tomorrow in *Hansard.*

Mr. MacInnis (Cape Breton South): Would the hon. member agree that his remarks now about deplorable conduct apply to the Minister of Manpower and Immigration and the Associate Minister of National Defence, who stood up in this house on opposite sides, something which is rarely seen in this country?

Mr. Mackasey: On the contrary, I respect them for having the courage of their convictions.

Mr. Nasserden: I must confess I cannot claim the distinction of being an Irishman either by birth or by blood, but I often suspect I have some of their more notorious characteristics when I look at some of the speeches I have made in the House of Commons from time to time.

I cannot but feel that all hon. members who are here are imbued with at least one characteristic of the Irish, namely generosity, and I wish to thank them very much for displaying this quality. I think the hon. member for Verdun will agree that the little people must have been working on behalf of both of us tonight.

It is fitting that in the centennial year consideration of the Bank Act should be one of the major concerns of the Canadian parliament. This does not, of course, excuse the government for its indecision and for delays which have contributed to the general tightening of money and the pressure on interest rates, since the government announced that the ceiling would be one of the primary factors to be considered.

• (10:20 p.m.)

In trying to assess the effectiveness of the legislation before us it would be well that we consider the history of Canadian banking. I feel that this legislation covers not only the Bank Act but the whole future of Canada. Our aim should be to have Canada's financial resources serve the national purpose, and in order to do that we must establish a purpose which is commensurate with the potential of the nation now and in the future.

We must not forget that our country depends now, and will continue to depend in the future, on investment not only from sources within the country but from other sources wherever we may secure them, provided of course that outside investment is prepared to acquire the qualities of good Canadian citizenship and abide by Canadian aspirations. For my part, the aspiration is to secure and develop a strong, independent, free society which will be able to exert itself in the search for peace at the international level. That will not be one of the easiest objectives to attain, but I maintain it is the only worth-while objective for this nation.

I would go further, sir, and say that unless we do this it might well result in our nation becoming the slave of the United States purpose. If that happens it will not be due to what the United States does, but due to the things we ourselves do, or the things we fail to do.

Looking at the success which our banking institutions have had, we can see that that success is due to the supervision and restraints that have been placed upon them in order to meet the peculiar problems of a nation in circumstances such as those which obtain in Canada.

The problems that have arisen in connection with our financial institutions during the past few months have not come from organizations that are classed as banks; they have come from those that are classed as near banks, which have been left largely without supervision and without the restraints and regulations that have ensured the success of our regular banking institutions.

Banks in Canada have a worth-while tradition, and I cannot agree with those who have made disparaging remarks about the role banks have played in the development of the nation and in the development of individual enterprises. Our banks have one of the most romantic and heartwarming stories to be found among those which form part and parcel of the Canadian heritage. The fact that Canadian banking has not been an unprofitable enterprise does not mean that there have not been occasions when they came up against obstacles. I recall the depression years, and also the years when government itself was competing for deposits that normally would be placed in banking institutions.

Generally speaking, the concept has been that the banks have provided an instrument for short-term and intermediate-term credit. To supplement that we have the trust companies which provide a service different in character, on a longer term basis, mainly for those people who want to place their money on deposit on long term, and know that it is going to be secure. I believe the Bank Act, as it is today, has confused the role that each of these institutions might play in our economic life. The primary role the banks should play is to provide short and intermediate term loans. The trust companies have a role to play in the long term field. They can give stability and security to those individuals who want to put their money in long term investments.

As one who believes in the development of things that are rewarding to those willing to develop this nation, I cannot say that deposits in banks should receive the same interest as

those deposits in development projects which involve some risk. For this reason, as well as others, I question the suggestion that we should remove the ceiling on the interest charged by banks.

The hon. member for Verdun said he was frightened by the philosophy behind the Bank Act. He is wrong in his analysis of that reasoning because we must have a credit system if we are to achieve our proper place as a nation and if we are to have maximum development. We must provide an instrument to give our citizens an opportunity to develop this nation.

Not very long ago we were talking in the committee on immigration about bringing thousands of people to Canada. We should develop means by which we can encourage these people to bring their capital wealth to this country. It is imperative that they bring with them their capital for the development of Canadian resources, to the benefit of Canada and the rest of the world. When we look to our neighbour to the south we cannot help but realize the development that has taken place there. Surely it is apparent to everyone that this development was the result of the influx of resources from other sources. The United States did not have this money at the beginning. We in Canada do not have the money now. I cannot understand the philosophy of those who want to place obstacles in the way of foreign investment in this nation.

As I said on an earlier occasion, this bill represents an act of cowardice. It is an indication that this government is unready and unwilling to face up to the problems relating to consumer loans. The interest rates that finance companies have been allowed to charge are such as to indicate a lack of supervision or regulation. These companies invest their money at very little risk, and they are operating at a high rate of profit in cities such as Ottawa, Montreal, Toronto, Saskatoon, Regina, Edmonton and Vancouver.

It is my suggestion that if we tonight were dealing with something which deserves priority of consideration we should be dealing with measures to regulate and supervise the activities of these finance companies which operate in Canada. Many thousands of people in Canada are involved in financing transaction. The expense involved in financing consumer purchases has become part and parcel of merchandising programs across this nation.

• (10:30 p.m.)

This does not mean that we have to shut our eyes, as seems to be the case with those

[Mr. Nasserden.]

who sit on the government benches, to the need for regulation in this field. The hon. member for St. Paul's said that the elimination of the interest rate ceiling was a very bold step. I wish to emphasize those words to you, sir because they are words that we should be thinking about in Canada today. We are a young nation, a nation that will be seeking capital from the four corners of the world, a nation with a large national debt. What will an interest hike of 1½ per cent or 2 per cent do, first of all to the cost of carrying the national debt, and second in regard to our competitive image in the markets of the world? This is one of the things that I believe we have to think about, and think about seriously as we consider this legislation.

I think it was the hon. member for St. Paul's who said that somehow we had to get effective foreign competition into Canadian banking. I cannot help but feel that they are words of wisdom at the present time as we consider the future of our nation, and our potential. The hon. member for York East said that the amendments contained in the bill were good, but the bill itself was bad. I think most hon. members of the House of Commons would agree with that statement. I wish to read from the Bank of Canada annual report for 1966, page 4, referring to the Canadian economy:

> Costs increased more, and productivity increased less, in Canada than in the United States in 1966. Diverging movements in costs and productivity such as we have been seeing recently cannot go on for long without seriously affecting the Canadian economy and in particular its international competitive position; a formidable obstacle would be placed in the way of maintaining the strong growth in output and employment of recent years.

Yet this government and the Minister of Finance, who now admit having made a mistake in bringing forward the 11 per cent sales tax, are thinking of lifting the ceiling on interest rates and adding another cost to that of business in this country. I believe that if this bill is adopted in its present form the result will be to add a substantial cost to the small businessmen from one end of the country to the other. I say again, sir, that this is one of the things that the government of Canada and hon. members who have any thought of the future of this country should take into consideration when considering the legislation which is before us. I know that there are members on the other side of the house who feel the same way as I do in this regard, and they are to be commended for the stand they have taken.

I do not wish to take up too much of the time of the committee, and I shall try to be as brief as possible. In regard to the inspection and supervision provisions, to reinforce the argument I put forward I should like to quote from the president's report, Canada Trust-Huron and Erie, 103rd annual meeting, February 8, 1967:

> Let there be no illusion that deposit insurance alone will give the man on the street iron-clad protection. An essential feature of the proposed insurance act is the requirement for adequate regulation and inspection of all participating companies.

What is said there is particularly important in regard to the finance companies that we have in Canada. He went on to say:

> Without such a requirement the act would not serve its intended purpose, for lack of proper regulation and inspection has been a root cause of the trouble.

He is referring there to the lack of proper regulation and inspection being a root cause of the trouble we have had in Canada.

With regard to foreign capital investment he had this to say:

> Canadians should do less worrying about foreign capital coming into the country to help with our development, and spend more time finding ways to encourage greater use of our own savings for the same purpose. If we want to keep Canada for Canadians, then we must give more incentive to Canadian equity ownership.

I say that if we are going to place our savings deposits in the banks of our country as against other forms of investment in the country to the extent implied in the bill before us, we will be defeating the goals which we are striving to achieve.

Mr. Chairman, in normal circumstances I would have some more things to say, but the hour is late and hon. members have been generous so I will conclude now.

Mr. Lambert: Mr. Chairman, in view of the hour and the progress that has been made I would suggest, with the consent of the house, that we stand clause 2 and that a number of clauses which the committee unanimously agreed to and which appear in the Minutes and Proceedings of the committee of February 14 at page 3263 be passed en bloc because they are of a general housekeeping nature and are non-controversial. The only exception in the list would be clause 9.

Mr. McIlraith: I assume the hon. member would also include the schedules?

Mr. Lambert: Yes, Mr. Chairman, I would move seconded by the hon. member for Victoria-Carleton:

> That the following clauses and schedules be passed en bloc: Clauses numbers 3, 5, 7, 8, 15, 16, 20, 21, 22, 23, 24, 27, 30, 32, 34, 37, 38, 40, 41, 42, 43, 58, 59, 61, 62, 66, 67, 68, 70, 71, 73, 74, 78, 79, 80, 81, 94, 95, 98, 99, 100, 102, 104, 105, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 118, 119, 120, 121, 123, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 140, 141, 142, 143, 144, 146, 147, 148, 149, 152, 153, 154, 155, 156, 159, 160, 161 and schedules B, R and S.

[*Translation*]

Mr. Grégoire: Mr. Chairman, may I ask the hon. member what clauses 92, 100 and 102 were about?

Mr. Lambert: There was consent of the house; therefore—

Mr. Grégoire: Mr. Chairman, I do not want to refuse unanimous consent from the house, I am simply asking—

Mr. Lambert: Mr. Chairman, I am ready to answer, but I had understood that there was unanimous consent and I thought that the agreement still remained the same. Now, what are the numbers of those clauses?

Mr. Grégoire: The subject matter is amalgamation among banks and the clauses in question are numbers 99, 100 and 102.

• (10:40 p.m.)

[*English*]

Mr. Lambert: In order to accommodate the hon. member for Lapointe, I would withdraw numbers 99, 100 and 102.

The Chairman: Does the committee agree that from the block of clauses listed on page 3263 of the committee proceedings, clauses 99, 100 and 102 be withdrawn?

Some hon. Members: Agreed.

Motion (Mr. Lambert) agreed to.

Mr. McIlraith: I move that we rise, report progress and ask leave to sit again.

Some hon. Members: Agreed.

Progress reported.

BUSINESS OF THE HOUSE

Mr. Knowles: Tomorrow?

Mr. McIlraith: Tomorrow we will be considering the same business as today, and after that the same list as indicated last night. After that, we will have interim supply and the final supplementary estimates.

PROCEEDINGS ON ADJOURNMENT MOTION

A motion to adjourn the house under provisional standing order 39A deemed to have been moved.

TRANSPORT—BRITISH COLUMBIA—FEDERAL CONTRIBUTION TO BURRARD INLET CROSSING

Mr. T. C. Douglas (Burnaby-Coquitlam): Yesterday, Mr. Speaker, I asked the Minister of Transport for some clarification regarding the press release which he issued dated March 15. I should like to quote part of that release:

> A third crossing of Burrard Inlet is under active consideration at the present time and the question of federal participation in this project has been raised on a number of occasions.
>
> It is understood that the preliminary estimates placed the cost of the new crossing at about $85 million. A part of the cost would be occasioned by the requirement to avoid any obstruction to navigation in the port of Vancouver and a part of the expenditure would provide easier and more efficient access to the wharves and the new National Harbours Board facilities on the waterfront, both in Vancouver and on the north shore.
>
> The government of Canada is prepared to make a capital contribution to the project which would reflect obligations which are essentially national rather than local in character. In addition to a capital contribution the federal government would be willing to guarantee a loan to be floated by an appropriate local non-profit harbour crossing authority, provided suitable arrangements were made to ensure the payment of interest and the repayment of the capital of the loan spread over a suitable period. If such an authority is established by the provincial and local authorities, the federal government would be prepared to enter into discussions without delay with a view to getting the project launched as quickly as possible.

Now, the part of the press release which seemed to me exceedingly vague was this sentence:

> The government of Canada is prepared to make a capital contribution to the project which would reflect obligations which are essentially national rather than local in character.

I was hoping I could secure from the minister some idea of what the federal government is actually prepared to do.

It so happens that at the same time that the Minister of Transport was issuing his release here, the Minister of Labour issued a release in Vancouver, a copy of which I obtained from the office of the Minister of Labour, and it is almost in identical terms. However, in the press conference which followed the issuing of this release the Minister of Labour was not quite so reticent, and the press report which came over the wire was as follows:

> The Minister of Labour, Mr. Nicholson, says the federal government is willing to pay one third the cost of building a bridge tunnel across Vancouver's Burrard Inlet to ease traffic congestion across the Lions Gate bridge. Mr. Nicholson added that the government was also prepared to finance the rest of the $85 million cost with a 50 year loan.

Mr. Pickersgill: Would the hon. gentleman give the source of that quotation?

Mr. Douglas: This came over the C.B.C. on the television news last night, and I got a copy of it from the C.B.C.

An article in this morning's Vancouver *Province* reads as follows:

> Mr. Nicholson is reported as saying that the federal government was prepared to contribute $20 million or more plus long term deferred interest loans for the construction of the crossing. He is quoted as saying that the federal grant could go as high as $30 million.

So, Mr. Speaker, there is a good deal of interest in what exactly is the federal government's proposal. If the statement attributed to the Minister of Labour is correct and the federal government is prepared to contribute one third, which would be roughly $28 million—and the provincial government has already indicated its willingness according to press reports to put up $27 million—then this still leaves $30 million to be raised.

I assume that the federal government would be prepared to lend this amount on a long term basis, but I think that the problem which would face the local authorities on the lower mainland would be to find the sources of revenue available to them to retire a debt of $30 million at the rate of interest that they speculation in the Vancouver *Province* to the would be expected to pay. There is some effect that the federal government is going to ask for 25 per cent of the gasoline tax in the metropolitan Vancouver area to pay off this loan. The public is entirely in the dark as to what the proposals are, and I think it would be much better if the whole thing were brought out into the open so we all know what each government is prepared to do.

I recognize that the minister cannot be too definitive and that certain negotiations have to take place. But it would be helpful if, instead of saying that the federal government's contribution will reflect obligations which are essentially national, the federal government is prepared to say that they will contribute one third or one half of the amount required, and will tell us how they propose to help the local authorities meet the problem of retiring a

long term loan which the federal government have offered to finance.

Therefore, Mr. Speaker, I am raising the matter because of the tremendous interest on the lower mainland in this question. A third crossing is essential. The congestion is atrocious and appalling. Something must be done and done quickly. I welcome the fact that the minister has made a statement regarding the willingness of the federal government to make some contribution. Now I think it would be helpful if he could tell the people on the lower mainland of British Columbia something which is more specific about the nature of the offer of the federal government to assist in this very essential project.

Hon. J. W. Pickersgill (Minister of Transport): First of all, Mr. Speaker, I think I should clear up something that the Minister of Labour hoped to have the chance of clearing up today, and that is that the stories that appeared in the Vancouver *Province* and which were reproduced by the C.B.C.—notwithstanding that the minister held a press conference in the meantime at which he said neither of these things—were in fact not representative of what he actually did say. The minister felt quite indignant about that and I think this should be cleared up. No figures were mentioned, quite deliberately. The primary responsibility in this matter is not the responsibility of the federal government.

• (10:50 p.m.)

I think hon. members who are experienced in dealing with the government of British Columbia know that one must be on one's toes in dealing with them. It did seem to us an indication that we were willing to be forthcoming and helpful with the people who have the primary responsibility, the provincial and local authorities, they might put forward a plan to expedite the goal that the hon. gentleman, all British Columbians and indeed all Canadians ought to have at heart.

The hon. gentleman is quite right about the importance of this third crossing to the third largest agglomeration of Canadians in this country. It is important that this be gone ahead with. It was felt by our government that if we showed we were ready to be cooperative it might perhaps act as a catalyst to bring forward a definite proposal from the provincial and local authorities. We are quite prepared to discuss the matter with them as soon as they have something concrete for us to discuss.

In the meantime the hon. gentleman, who in another capacity took part in a great many federal-provincial negotiations of this kind will, I am sure, particularly when one thinks of his origins, understand why the government is a little reticent about giving any figures at this time.

SHIPPING—REQUEST FOR OPENING OF CHANNEL TO AMHERST ISLAND

Mr. A. D. Alkenbrack (Prince Edward-Lennox): Mr. Speaker, I am sorry to detain the Minister of Transport at this late hour. I know he has had a heavy and busy day.

My intercession in the adjourned debate at this time concerns a matter of vital importance to an island municipality in my constituency of Prince Edward-Lennox. It is the municipality known as Amherst island, part of the county of Lennox and Addington. It was part of the old seigniory of LaSalle in 1675 under the French régime. It was then known as the Ile de Tonti, named after LaSalle's heroic Italian lieutenant, Henri de Tonti, who assisted him in the discovery and administration of the far-flung western regions of New France. Amherst island, a beautiful unspoiled rural gem on the breast of lake Ontario, is three miles from the mainland, approximately ten miles west of Kingston. It is now served during the navigation season by the motor vessel *Amherst Islander,* which plies between her home port of Stella, on the island, and Millhaven, on the mainland.

Each year due to thick ice in the channel, this vessel is forced to lay up for part of the winter until the opening of navigation. This ferry has been laid up since February 25 and the population of about 400 people, depending on its services, now awaits the end of this period of isolation. Many commodities are in short supply on the island at this time of the year and the people depend on various forms of transportation that can use the ice or the air. The ice is now unsafe, and there is no airport. As a result I have received a request from Reeve Harry Fleming and his council out of which evolved my question to the Minister of Transport this afternoon. My question was as follows:

> Will the minister please authorize the icebreaker *Simcoe* now on its way up the St. Lawrence river to Kingston, to continue westerly to Millhaven dock, on the north shore west of Kingston, and from there to break a channel to Stella on Amherst island, in order that the ferry *Amherst Islander* may resume vital operations in service to Amherst island, the people of which are in serious need of the resumption of service with the mainland?

For the information of the minister and the house, I wish to add that the *Amherst Islander* is a good ship of limited power, but she is not a good icebreaker and her hull would be vulnerable if she attempted to play the part of an icebreaker at this time and under present conditions. That is why the municipality now requires the services of the *Simcoe*.

I thank the minister for his courtesies and services in the past, particularly for the light buoy, which following my request he authorized at Bath, and which was installed last year as a safety measure on a dangerous shoal in front of that village. Since my question this afternoon regarding the subject under discussion, I have been informed by the minister's office that his department is giving favourable consideration to this request and I wish to voice my appreciation in that regard not only on my own behalf but on behalf of the people of Amherst island, and the reeve and council, who anxiously look forward to the re-opening of the channel and the resumption of the normal ferry service.

Hon. J. W. Pickersgill (Minister of Transport): I do not believe it is really necessary for me to say anything because the hon. member—and I congratulate him on his excellent Italian—has not only asked his question but answered it as well.

However, just in case my department is not able to perform quite as fast as the hon. gentleman may have given the impression it may, I must say in all sincerity that the *Simcoe* has had some engine trouble and is now tied up at the Portsmouth wharf at Kingston. Every effort is being made to effect repairs and it is hoped to have the vessel seaworthy by tomorrow or, at the latest, on Saturday. As soon as she is available she will undertake this service, and I hope perform it successfully. As there are islands off the mainland of Newfoundland in my constituency which are sometimes in a similar difficulty, the hon. gentleman can assure his constituents of Amherst island that I am very anxious that what he has asked should be done.

Motion agreed to and the house adjourned at 11 p.m.

HOUSE OF COMMONS

Friday, March 17, 1967

The house met at 11 a.m.

[*Translation*]

COMMITTEES OF THE HOUSE

Second report of special joint committee of the Senate and the House of Commons on Mr. Justice Landreville—Mr. Laflamme.

[*Note: Text of the foregoing report appears in today's Votes and Proceedings.*]

[*English*]

NATIONAL DEFENCE

REQUEST FOR WITHDRAWAL OF UNIFICATION BILL

On the orders of the day:

Hon. Gordon Churchill (Winnipeg South Centre): Mr. Speaker, I have a question for the peripatetic Acting Prime Minister. In view of General Allard's public statement that the integration of Canadian forces will take five years and their unification another five years, making a total of ten, will the Acting Prime Minister give full scope to his obvious leadership qualities and arrange to have the disruptive unification bill withdrawn for reconsideration?

Hon. Paul Martin (Acting Prime Minister): Mr. Speaker, I do not think that kind of question can properly be dealt with on orders of the day. However, I would like to say to my hon. friend "top o' the mornin' ".

Right Hon. J. G. Diefenbaker (Leader of the Opposition): This having been raised in a fashion typical of the Secretary of State for External Affairs, may I extend to him and to all those of Irish origin, in part or in whole, the good wishes of all of us in this house who are not privileged to be of Irish origin. At the same time I ask him, if he is in communication with the Prime Minister, to convey to him the "top o' the mornin' " from all of us in this house.

Mr. Martin (Essex East): I am only one quarter Irish, but I am sure that in this capacity I can say for those who are fully Irish, those who are part Irish and those who aspire to be Irish, that we accept the greetings and good wishes of the Leader of the Opposition. I am sure that when I talk to the Prime Minister later today he will say not only "top o' the mornin' " but "top o' the day".

FINANCE

REQUEST FOR GUIDE LINES RESPECTING PROFITS, WAGES AND CONSUMER PRICES

On the orders of the day:

Mr. T. C. Douglas (Burnaby-Coquitlam): May I ask the Acting Prime Minister a question with regard to the report of Mr. Louis Rasminsky, the governor of the Bank of Canada, in which he states that Canada needs a better performance of its income determining machinery. I want to ask the Acting Prime Minister whether the government consequently is changing its position in respect of the need for economic guide lines to bring about a more equitable relationship among profits, wages and consumer prices.

Hon. Paul Martin (Acting Prime Minister): I will take this question as notice. I believe it is really difficult, on orders of the day, to deal comprehensively with a matter like this.

Mr. Douglas: May I direct a supplementary question to the Minister of Finance following the question to the Acting Prime Minister. In view of the fact that the Minister of Finance has stated on previous occasions that the government did not think economic guide lines would serve any useful purpose, in the light of the report just received from the governor of the Bank of Canada would he now consider setting up economic guide lines to bring about some more equitable relationship among wages, profits and consumer prices?

Hon. Mitchell Sharp (Minister of Finance): Mr. Speaker, in the statements I have made on this subject I have been very careful to say that although I did not think the measures that had been taken in other countries were such as to inspire emulation, I did think we should be continuing to search for some means of mobilizing public opinion on behalf of stability of prices and indeed in support of the general proposition that we all support in

this house, namely a steady expansion without inflation. I am not quite sure, and none of my advisers is either, as to exactly the form these measures should take, but I am inclined to agree with Mr. Rasminsky that we cannot depend entirely on traditional means.

U.S. ORDER RESPECTING INSPECTION OF BANKS IN FOREIGN COUNTRIES

On the orders of the day:

Hon. Paul Martin (Acting Prime Minister): I should like to answer a question put to me on March 13 by the Leader of the Opposition. On February 13 I informed the house that the government had made representations to the United States concerning what appeared to be extraterritorial provisions in the proposed revision of certain United States banking regulations issued by the federal reserve board governing the foreign operations of United States controlled banks. Earlier this week, in response to a question from the right hon. Leader of the Opposition, I informed the house that at that time no reply had been received from the United States with regard to the representations made.

I can now inform the house that the United States authorities have now acted in response to these representations. Yesterday the federal reserve board announced regulations which do not contain the extra-territorial implications which Canada felt had been present in the earlier drafts. The federal reserve board expects that the foreign branches and affiliates of their member banks will conduct their affairs in accordance with the laws of countries in which they carry on their activities. This is a satisfactory outcome of our representations.

DISCUSSIONS WITH PROVINCES RESPECTING DEPOSIT INSURANCE

On the orders of the day:

Hon. George Hees (Northumberland): Mr. Speaker, I should like to address a question to the Minister of Finance. While he was preparing his federal plan for deposit insurance did he discuss this important matter with provincial premiers or provincial ministers of finance?

Hon. Mitchell Sharp (Minister of Finance): Mr. Speaker, during the whole course of the preparation of this legislation my officials were in contact with the officials of all provinces, including the province of Quebec.

Mr. Hees: A supplementary question. Did the Minister of Finance take the trouble to speak directly to the provincial premiers or the provincial ministers of finance?

Mr. Sharp: The only minister I contacted personally, and he was not a minister of finance, he was the minister of financial institutions, I believe it is, for the province of Ontario, who was urging the federal government to proceed as quickly as possible with deposit insurance.

May I add, Mr. Speaker, that as the house will recall it had been my original intention simply to introduce a bill so that the question could be looked at carefully by all provincial governments before asking this house to proceed. However, because of the great urgency of the matter and the great pressure that was being put upon the government by other provinces, particularly by the province of Ontario, with the support of all members of the house we went ahead with deposit insurance somewhat earlier than we had originally intended.

NATIONAL DEFENCE

SPEECH BY DEFENCE MINISTER AT HAMILTON, ONT.

On the orders of the day:

Hon. Gordon Churchill (Winnipeg South Centre): Mr. Speaker, I have a question for the Minister of National Defence relating to a speech he made recently to a Liberal gathering in Hamilton. Will the minister cease casting aspersions on former distinguished combat officers whose knowledge of the requirements of Canadian defence far exceeds the limited experience of the minister?

Mr. Speaker: Order, please. The question is out of order.

PENHOLD, ALTA.—POSSIBLE REOPENING OF TRAINING SCHOOL

On the orders of the day:

Right Hon. J. G. Diefenbaker (Leader of the Opposition): Mr. Speaker, I should like to ask the minister whether a decision has been made or is being considered to reopen Penhold in the province of Alberta for the training of pilots or for air exercises.

Hon. Paul Hellyer (Minister of National Defence): Mr. Speaker, I do not know that a decision has been taken, certainly not at the ministerial level. I do know that the question of the future use of that base has been under investigation by training command, and that

they will probably be forwarding their recommendations shortly to headquarters, if they have not done so already.

If I may, Mr. Speaker, on a question of privilege I should like to say to my genial friend from Winnipeg South Centre—

Mr. Speaker: Order, please. Is the minister rising on a question of privilege?

Mr. Hellyer: Yes, Mr. Speaker. I cast no aspersions on former senior officers while I was in Hamilton; and the meeting was in fact not a Liberal meeting but one in a lecture series attached to the university.

Mr. Diefenbaker: Mr. Speaker, in connection with the question I have just asked the minister, is it not a fact that some R.C.A.F. personnel who were first at Centralia before it was closed down and who then went to Camp Borden, are now being advised that air training activities at Camp Borden are going to be transferred to Penhold, which incidentally is in the constituency of the hon. member for Red Deer?

Mr. Speaker: Order, please.

RETURN OF "BONAVENTURE" TO ANTI-SUBMARINE ROLE FOLLOWING REFIT

On the orders of the day:

Mr. Eric A. Winkler (Grey-Bruce): Mr. Speaker, I have a question for the minister of defence. I should like to ask the minister whether the *Bonaventure* will return to an a/s/w role following the present refit program.

Hon. Paul Hellyer (Minister of National Defence): Yes, Mr. Speaker.

TRANSPORT

REQUEST FOR RESTORATION OF SERVICE ON KETTLE VALLEY RAILWAY

On the orders of the day:

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, I wish to transport a question to the Minister of Transport which is of national significance, let me tell you. Has the minister received a resolution approved by the annual meeting of the Kootenay-Boundary chambers of commerce calling for the restoration of passenger service on the Kettle Valley railway from Vancouver to Medicine Hat? If so, what consideration has been given to these representations which are supported by 150,000 people of all parties in British Columbia?

Inquiries of the Ministry

Mr. Speaker: Order. This question of national significance should be placed on the order paper.

CANADA ASSISTANCE PLAN

INQUIRY AS TO AGREEMENTS SIGNED WITH PROVINCES

On the orders of the day:

Mr. W. B. Nesbitt (Oxford): I had intended directing a question to the Minister of National Health and Welfare, but in his absence I shall direct it to his parliamentary secretary. My question is this, Mr. Speaker. Have any agreements as yet been signed with any of the provinces concerning the regulations under the Canada Assistance Plan.

Mrs. Margaret Rideout (Parliamentary Secretary to Minister of National Health and Welfare): Mr. Speaker, I shall bring this question to the minister's attention.

[*Translation*]

AGRICULTURE

MILK—REQUEST FOR INCREASED PAYMENTS TO PRODUCERS

On the orders of the day:

Mr. Albert Béchard (Parliamentary Secretary to Secretary of State): Mr. Speaker, I would like to put a question to the hon. Minister of Agriculture.

When he announces, in the near future, the new dairy policy which, I trust, will set the price of manufacturing milk at $5.10 per hundredweight, would the minister set strict standards of application in order to enable milk producers of Gaspé peninsula to take full advantage of the new policy because, in spite of the excellent dairy policy in 1966, the farmers of the Gaspé peninsula never received more than $3.50 per hundredweight.

Mr. Speaker: Order. This, to my mind, is not a question but a representation concerning which the minister does not seem to have said anything.

[*English*]

[*Later:*]

Mr. W. B. Nesbitt (Oxford): A question for the Minister of Agriculture. Could the minister indicate whether he will be making his announcement of next year's dairy policy in this house prior to the Easter adjournment?

Mr. Speaker: Order. The question is the same as others which have been put in a different form during the last few days.

Inquiries of the Ministry

[*Later:*]

Mr. Eric A. Winkler (Grey-Bruce): Mr. Speaker, may I direct a question to the Minister of Agriculture. Because of the characteristics of good will that typify all good Irishmen I should like to ask the minister does he intend announcing that there will be an increase of 67 cents per hundredweight for producers of manufacturing milk?

Mr. Speaker: Order, please. I believe on this day I should ask the minister not to reply to this question at this time.

[*Translation*]

DOMINION-PROVINCIAL RELATIONS

QUEBEC—DISCUSSIONS RESPECTING JURISDICTION IN EXTERNAL AFFAIRS

On the orders of the day:

Mr. Heward Grafftey (Brome-Missisquoi): Mr. Speaker, following the statement made this week by Hon. Marcel Masse, minister in the Quebec government, about the powers of the province in the field of external affairs, I would like to direct a question to the Secretary of State for External Affairs.

Can the minister tell us if, in the spirit of co-operative federalism, he will in the near future initiate talks to settle the matter as quickly as possible?

Hon. Paul Martin (Secretary of State for External Affairs): Mr. Speaker, I do not know that we have an obligation to initiate talks with a jurisdiction in this country for the only reason that, through the voice of a minister it deals with something which does not concern that provincial government, because there is no doubt that the federal government is solely responsible for the administration of our country's external affairs.

[*English*]

INCOME TAX

NON-PAYMENT BY HEAD OF QUEBEC SEPARATIST MOVEMENT

On the orders of the day:

Right Hon. J. G. Diefenbaker (Leader of the Opposition): Mr. Speaker, my question is directed to the Minister of National Revenue. It is asked because of the number of income taxpayers, who have read the statement of Pierre Bourgault, head of the Ralliement pour l'Independance Nationale, who says he has not filed any income tax return since 1963, that he refuses to pay income tax, and the government is afraid to go ahead against him; that it has in no way asked him to pay income tax since he told the government three years ago that he did not recognize the laws of Canada.

Mr. Speaker: Order, please. Since this is a matter, as indicated in the question of the right hon. Leader of the Opposition, which seems to have been extant for some years I am not sure whether it is in order now.

Mr. Diefenbaker: This is something which has just come out in the press. Canadian taxpayers want to know if there is one law for the separatists and another law for the rest of us.

Hon. E. J. Benson (Minister of National Revenue and President of the Treasury Board): Mr. Speaker, I wish to assure the right hon. gentleman that if the situation as outlined by him is correct, my department, which is not afraid to collect taxes, will make every effort to collect taxes from this individual as it would from every other Canadian. We treat all Canadians in the same way, whether they are separatists or not.

Mr. Diefenbaker: Then go ahead.

Hon. George Hees (Northumberland): A supplementary question to the Minister of National Revenue. Considering that this matter appears to have been going on for some four years, with this man claiming he has not paid taxes for that period, would the minister report on this matter on Monday?

Mr. Benson: Mr. Speaker, I must obey the practice of this house and not report to the house on the tax affairs of individual taxpayers. I wish to assure the hon. gentleman, however, that the department will make every effort to collect every dollar of tax that is owing to the government of Canada.

Mr. Diefenbaker: He says you have been asleep for the last three years.

Mr. Lawrence E. Kindt (Macleod): Will the minister in the administration of this matter adhere to the principle of applying the appropriate penalties?

Mr. Benson: Yes.

Mr. Speaker: Order, please.

HOUSING

RECOMMENDATION FOR REMOVAL OF TAX ON BUILDING MATERIALS

On the orders of the day:

Mr. D. V. Pugh (Okanagan Boundary): My question is directed to the Minister of Labour

and has to do with national housing. I wonder if the minister has received representations from the Ontario Association of Real Estate Boards asking for the removal of the 11 per cent sales tax on building materials.

Hon. J. R. Nicholson (Minister of Labour): Yes, Mr. Speaker.

Mr. Pugh: Has the minister given consideration to these representations for the tax removal?

Mr. Nicholson: Consideration has been given. No change is contemplated.

EXTERNAL AFFAIRS

REPRESENTATIONS TO U.S. RESPECTING CUBAN TERRORIST ACTIVITIES

On the orders of the day:

Mr. Barry Mather (New Westminster): I have a question for the Acting Prime Minister. A few days ago the hon. gentleman said an investigation was under way into the activities of Cuban nationalists in connection with bombings in Canada, and told us that discussions between Canada and the United States were taking place on this situation. Does he intend to add to this information today?

Hon. Paul Martin (Acting Prime Minister): I cannot report further at the moment.

[*Translation*]

LABOUR CONDITIONS

INQUIRY AS TO STEPS TO DEAL WITH UNEMPLOYMENT

On the orders of the day:

Mr. Gilles Grégoire (Lapointe): Mr. Speaker, I should like to put a question to the Minister of Manpower and Immigration.

Since the minister promised yesterday to study the latest report on unemployment in Canada, could he tell us whether he actually did so and whether he intends to take special measures with a view to checking the tremendous increase in unemployment in Quebec which has reached a very high level?

Hon. Jean Marchand (Minister of Manpower and Immigration): I had the opportunity since yesterday to look more closely at the unemployment statistics. Compared to last year, unemployment has increased by .4 per cent, that is, it reached 5 per cent last year, while it now stands at 5.4 per cent for the whole country. There are 40,000 more jobless than at the same date last year and it must be kept in mind that 28,000 of those 40,000 have been out of work for less than a month.

It should also be realized that the Canadian labour force has increased by more than 200,000 during the year. It is interesting to note that those 200,000 workers, or 214,000 to be more precise, include 142,000 women and 72,000 men, which means that women enter the labour market much more rapidly than men and explains why the percentage of unemployed women is higher than that of men.

Mr. Grégoire: A supplementary question, Mr. Speaker. Now that the minister has found all possible excuses, could he tell us what measures he intends to take in order to check this increase in unemployment?

[*English*]

Mr. T. C. Douglas (Burnaby-Coquitlam): May I ask the Minister of Manpower and Immigration whether his analysis of these unemployment figures to which he has just referred indicated that the increase of 40,000 in the number of unemployed is related in any way to the decline in housing and construction starts in January and February?

Mr. Marchand: I can say that specific factors are responsible for these figures rather than any major change in the economy. Among these factors is a decline in automobile purchases; some decline in house building in many parts of the country, and an unusually severe winter. This may answer part of the question put to me by the hon. member for Lapointe.

Mr. A. D. Hales (Wellington South): Mr. Speaker, may I direct a supplementary question. In the minister's analysis he did not make any reference to the number of people laid off due to displacement in the car industry. Has he any figures on that?

Mr. Marchand: Yes—

Mr. Speaker: Order, please. I think we are getting into details of debate and I suggest to the hon. member that his question should not be asked now.

INQUIRY OF THE MINISTRY

On the orders of the day:

Mr. Ed. Schreyer (Springfield): Mr. Speaker, I should like to direct a question to the

Minister of Forestry and Rural Development. Is he aware that some of the many studies being conducted under the aegis of his department are showing a preoccupation with measuring fertility differentials between women in rural and urban parts of the country, and some relating to fertility differentials among cohorts of mothers—

Mr. Speaker: Order, please. I cannot see that this question is so urgent that it should be asked immediately.

Mr. Schreyer: I was coming to my question, Mr. Speaker. I was going to ask the minister whether he felt this sort of analysis served any useful purpose.

Mr. Speaker: Order, please.

BANK ACT

DECENNIAL REVISION AND EXTENSION OF CHARTERS

The house resumed, from Thursday, March 16, consideration in committee of Bill C-222, respecting banks and banking—Mr. Sharp—Mr. Batten in the chair.

On clause 2—*Definitions.*

[*Translation*]

Mr. Gauthier: Mr. Chairman, I shall not be too long, although up to now a single member of our group has participated in the discussion on this act respecting banks and banking, so as to give others the opportunity to express their point of view.

So I am pleased to rise at last to speak on Bill No. C-222 dealing specifically with the chartered banks. I note that more speakers from the old parties have spoken on this bill than on Bill No. C-190 respecting the Bank of Canada, where the members of the old parties were noticeable by their absence.

In fact, we, of the Ralliement Créditiste, were the only ones, with the representatives of the Social Credit and a few independent members, to supply the people at large with information. Yet, the population of Canada has delegated every member of the house to suggest ideas likely to improve our monetary system, the key to our economic success.

In the course of this debate, representatives of the two old parties have exchanged all possible amenities, trying to prove that each had accomplished more than the other and was more concerned than the other about understanding more or less the various briefs presented either by banking concerns or by owners of banks or near-banks.

[Mr. Schreyer.]

In the long run, who will benefit from all the time spent in such consideration? First of all, high finance, lurking behind the chartered banks and the Bank of Canada itself; secondly, the people or those who will find the patience to read through the brief contained in the report of the standing committee on finance, trade and economic affairs, because they will find therein the proof that we are right.

Nevertheless, we are somewhat gratified in the realization that, in the end, the clash of ideas begets enlightenment. In fact, when we hear speakers, Tories as well as Grits wondering about the definition or the meaning which can be given today to their "banking", I think this makes up for the sarcastic laughter of past years and gives us some hope for the next revisions.

I want to mention here, to be fair, the very timely remarks made by a few independent members inviting the followers of the old-line parties to remove their blinkers sometimes.

Personally, considering that I have been studying for some 30 years a more rational and more humanitarian financial system, like the one proposed under the Social Credit philosophy, I have never stopped trying to understand fully the present system which, up to now, seemed to be only understood by a very small group. Having been chairman of school boards for 15 consecutive years, I have never understood why no government had ever thought about introducing the elements of our monetary system into schoolbooks.

• (11:40 a.m.)

Even today, when we pride ourselves on evolution in the field of education, we have not yet ventured to make known to our children the well-kept secrets of the principles at the origin of our monetary system.

I thought at the time that science was perhaps too advanced for pupils to whom we were nevertheless teaching the mysteries of our religion. But I was quite astonished when I heard the hon. member for Edmonton West (Mr. Lambert), former Speaker of the house and brilliant lawyer, deplore the fact that we had not yet succeeded in defining the business of banking.

Let me quote the exact words of the hon. member as can be seen on page 14071 of *Hansard* for March 16:

> It has always been my belief that with an appropriate definition of the business of banking we could have a great deal more control.

And further on he said:

—Many people have suggested that it would be difficult to define banking.

Mr. Chairman, I will certainly not repeat to farmers and workers in my riding these parts of the remarks made by the hon. member for Edmonton West who is also a brilliant lawyer, because they would think that I am joking.

I was still more convinced when the not less brilliant member for St. Paul's (Mr. Wahn) confirmed the words of the hon. member for Edmonton West, and I quote:

—Certainly it is difficult to develop a completely accurate definition of banking—

Here then is the base of the very myth of our monetary system. The present monetary system is somewhat like thunder; we cannot define it, but we know its disastrous effects in society.

And I had a good laugh when I heard the hon. member for Nanaimo-Cowichan-The Islands (Mr. Cameron) compare our association to a religious order, in which one should place his trust. I believe that he would have been better advised to consider closely the system in which he believes and which he never understood anyway; he would have noted that one needs a faith to move mountains to believe sincerely in the present system.

In fact, all the experts agree today that the present system is based on confidence and, furthermore, the only thing that guarantees that confidence is the flair and feel of the minister. He admitted it himself in this house.

The final lesson I drew from that debate is this: If we still have a lot to learn about our banking system, others have everything to learn, including the definition of the creature they worship.

The chartered banks serve their owners well and attempt to play their part in our financial system. They are private companies which are here to make money, as stated by several responsible bank owners or directors, and we contend that if those bodies could fully play their part in the private sector, our financial system would greatly improve, since its credit capabilities would be doubled.

According to our own definition, a business bank, generally called chartered bank, is any private company that receives deposits and grants loans. We say that the central bank is preeminently an agency for the creation of new credit and legal currency, and the exercising of absolute control.

In the present system, things do not work that way in either cases, since the chartered banks are empowered to create credit, while the Bank of Canada controls only the liabilities of the country and not its real assets.

When we made our speeches on Bill No. C-190 concerning the Bank of Canada, we clearly indicated all those flaws of our system. We witnessed the evident lack of interest of the two old parties as well as that of newspapermen, radio and T.V. In fact, all our public media of information were struck dumb. Perhaps they felt that the Bank of Canada was dying and they did not want to see its agony. Indeed, it did not get away unscathed during that dispute. On the other hand, chartered banks have gained considerably. They will not even need 8 per cent of deposits, that is with $6, $4 or even sometimes with no deposit, they will lend $100 at 8 or 9 per cent; therefore, money will be easier.

The ceiling on interests will be removed. They have been restrained long enough with that 6 per cent ceiling. This will enable them at least to increase their rate of interest. In fact, banks had been charging more than 6 or 7 per cent for a long time; they even charged 8, 8½ and sometimes more. But it was all done under cover. Tomorrow, they will act in broad daylight. When this bill is passed—and it will be passed, since the two old parties and the N.D.P. will vote for it—chartered banks will not even have to wait for the Bank of Canada to deposit the compulsory 6 per cent to its own account, through the purchase of government bonds, to multiply by 12½, since they will be able to issue their own bonds from then on.

Therefore, we can rightly say that chartered banks will extend their scope of indebtedness to the entire population with even less supervision than before. We do hope, nevertheless, that the next review is not more than five years away. Besides, the hon. member for Compton-Frontenac (Mr. Latulippe), the most hardy defender of the people's interest, intends to move an amendment to this effect.

Mr. Chairman, with the present rate of development in our modern world, it would be a most serious mistake to allow 10 years to elapse before we do the slightest alteration in our financial system.

• (11:50 a.m.)

I have already expressed my views to the house about certain facts which were not too correct and which took place within the

standing committee. I will not go over them again but I would like to say a few things to the Minister of Finance and Receiver General (Mr. Sharp) and a few others. I acknowledge the minister's real talents but I regret that he cannot put them to work to benefit the whole population. One feels that he is bound, willingly or not, by an occult power which prevents him from doing what he wants to do and even from saying what he really thinks. It might be an impression, but each time I hear him answer controversial questions, I think he is not the sharp debater one has known. Almost every time, he tries to evade the issue by voicing fears that he knows are unwarranted. Or he says that he finds it very difficult to answer.

Here, without malice, I should like to draw the attention of the house to three scarecrows which always come up in the minister's evasive replies: inflation, printing of bank-notes and interest.

You will understand that when watching wrestlers the most attentive spectators are in the best position to note the repetition of the same mistakes by the wrestlers. And precisely these are the minister's three weaknesses.

Indeed, when we ask him why the Bank of Canada does not issue each year's new credits, which amounted to approximately $1,588,000 in 1964-65, and $1,669,000 in 1965-66, for instance, instead of leaving this responsibility to chartered banks, for the benefit of public sectors, the minister's answer is unavoidably the same: threat of inflation; but he knows very well that if the Bank of Canada issued those amounts, under the same conditions and at the same rate as chartered banks now do it, it would not affect inflation any more than the action of the present chartered banks.

It is nothing but a scarecrow, like those our grandfathers used in their gardens to scare the crows away.

Similarly, when you suggest to the minister that the Bank of Canada should create new credits, based on the surpluses already mentioned, and put them at the service of the provinces, the municipalities, the school boards and the federal government itself, without any interest, the minister can only answer that it would be difficult. Yet, when he authorizes the Bank of Canada to purchase federal government bonds, so that the said bank can deposit them into the accounts of chartered banks, without charging them a single cent in interest, we wonder why that operation could not be logically made for the benefit of a municipal, school or provincial bank, for instance. And the minister himself admitted that chartered banks could multiply by twelve and a half these amounts which cost them nothing. And then, the members of the committee heard bank owners talk about the high cost of money.

[Mr. Gauthier.]

The minister is always pestering us with the threat of inflation. But where does inflation really lie, if not within chartered banks, due to the favours which are granted them by this parliament? And the minister dared maintain, in one of his replies, that all this was done to protect the interests of Canadians. There is a limit to window-dressing, after all.

I want to make this point clear, so that the people may know the truth. On March 13 last, the member for Lapointe (Mr. Grégoire), put this question to the minister:

> Does the minister see any serious objection to the fact that the yearly credit increase would be loaned without interest, to the public, by the Bank of Canada?

This is exactly, Mr. Chairman, the minister's answer, as recorded on page 13946 of *Hansard* of March 13:

> —I consider that such action would be very detrimental to the interest of the people of Canada because it would be very inflationary, and all those arguments being presented by the hon. member for Lapointe are simply a camouflage for one of the oldest practices in the world, which is the practice governments have indulged in in the past and I hope will not indulge in in the future;

Mr. Chairman, after having brought out the scarecrow of inflation, the minister turns to the printing of bank-notes. He goes on to say:

> —and that is the printing money for the purposes of meeting government expenditures.

This is the first-rate argument. The minister does not even realize that the oldest tactics to camouflage the truth are his own. We have even known some of his Liberal friends who brought their political career to an end for having printed bank-notes and making them pour down on their heads. I am wondering today whether this trick did not come out of the minister's brain.

Sir, the people are better informed today than they were in the thirties, 30 or 40 years ago. They know very well that when we are talking about monetary creation, it means precisely the one carried out by chartered banks, just book entries, and I do not think chartered banks have ever accumulated enough dollars in cities to block the streets. The minister is bringing forward a 1925 argument, that no longer holds in 1967.

I have always known the minister to be an outspoken man who could fight for his ideas fairly; he should not disappoint us on the financial level. Let him show that he is playing fair and not stooping to the level of a common cheat. We will keep on trusting him provided he proceeds seriously with the taxation reforms the people are expecting from his department.

Mr. Chairman, I say to the minister that now is the time for him and his department to get out of the field set apart for the magnates of high finance and to question themselves as regards today's needs. His victory or his defeat will depend on whether or not his answer is favourable for the economic life of all Canadians.

I trust the minister will champion the cause of the people.

• (12 noon)

[*English*]

Mr. Gilbert: Mr. Chairman, my remarks will be very brief. I should like to preface them by adding to the congratulations and compliments paid to the chairman and the vice chairman of the finance, trade and economic affairs committee for the excellent job they did in the performance of their duties. The hon. member for Essex West showed his masterful control of the French and English languages, a deep knowledge of banking and financial institutions and an infinite patience with witnesses who appeared before the committee and with members of the committee.

I should also like to thank the many witnesses who appeared before the committee, because their contributions were appreciated in the study of the Bank Act and related acts. I think they have added to the improved Bank Act that we have before us today. I think we were greatly helped by the former inspector of banks, Mr. Elderkin and we would like to thank him.

The Bank Act and other related acts are reviewed every ten years, but in this case it has spilled over to 12 or 13 years. One of the things that struck me is that by reason of the changing times and circumstances a decennial review may be too long a period before amendments are brought in to these important acts. The government should have no hesitation in referring special studies to the standing committee on finance and in bringing forth amendments at any time before the ten year period has lapsed.

The main financial institutions of Canada can be divided into four categories: one, chartered banks; two, trust and loan companies, which are commonly referred to as near banks; three, finance companies; and four, credit unions and caisses populaires.

The main objectives of our monetary policy should be a sustained economic growth, price stability, full employment and a sound external financial position. In order to attain these objectives and at the same time maintain supervisory control over the monetary system it is necessary that we should have a national approach to banking legislation. In the past the different classes of financial institutions operated within specific fields. The chartered banks dealt in short and medium term lending. Now they are dealing in consumer loans, and after the passage of this Bank Act they will be dealing in long term lending by way of mortgages.

The near banks, such as the trust and loan companies, in the past dealt with trust and executors' services, long term lending by way of mortgages, and corporate services. With the present intended amendments to the Bank Act the trust and loan companies will be facing direct competition by the chartered banks in their long term lending, and are asking for the right to participate in consumer loans to balance this benefit given to the banks.

This is why I was impressed with Professor Neufeld's approach of granting special charters to trust and loan companies for a ten year period, and granting to them the right of access to the credit facilities of the central bank and full access to the cheque clearing system. It is obvious that the different financial institutions are becoming multi-functional, and it is therefore necessary that federal legislation enable these institutions to grow and compete on the same footing.

This is the reason so many members of the finance committee requested that the government take the initiative in the definition of banking. We had before us the definition of the Porter commission which states that banking institutions were defined to include all financial institutions which issue transferable demand and short term claims with an original term up to 100 days.

Dr. David W. Slater stated that the test or criteria to be applied is to determine whether some of the debts of the institution are part of the money supply of the country, and whether some of the operations of the institutions result in changes in the money supply of the nation. The governor of the Bank of Canada, Mr. Rasminsky, stated it was his own

view that as a practical matter the distinctive feature of the "business of banking" is primarily borrowing by incurring obligations that are repayable on demand or on short notice.

These three definitions could have provided a basis for a definition of banking, and with the federal powers set forth in the B.N.A. Act the government could have taken the leadership in defining this very important subject. However, the Minister of Finance gave no indication of an attempt to define banking, but rather leaned heavily on a deposit insurance scheme on a federal-provincial basis and gave some assurance of a study in the near future of financial institutions with legislation resulting when clearer lines are drawn.

This is not sufficient. The need today is for assertion and leadership in this field rather than for hesitation and delay. Some of the junior trust companies that appeared before the committee indicated that they were not interested in the banking business, and possibly the same could be related to credit unions and caisses populaires. It therefore may be necessary to have a two tier system in banking consisting of chartered banks possessing full powers and savings banks with limited powers.

Mr. Chairman, the formula for interest rates set forth in section 91 of the act is not acceptable to the members of the New Democratic Party. It is obvious that in all probability at the end of December 1967 or in the early part of 1968 the formula will no longer apply, thereby giving the chartered banks full control in the determination of interest rates. We recommend that a regulatory body be set up by the government to set interest rates and determine the allocation of the different types of loans that are required in the country.

We have experienced a very wide fluctuation in interest rates in the past two years. At the time of the passage of the Bank Act in June of last year there was an upward trend in interest rates. Today we find a downward trend which indicates the instability in the field of interest rates. During this unstable period the least that we can do is apply the formula that was set forth in the first bill that was presented to the house, in which 4.5 per cent was the base for short term loans before the removal of the ceiling. If we keep in mind the right of parliament to make amendments to the Bank Act at any time and not wait for a decennial review, this formula could prevail for the next two years during which time it could be constantly reviewed and amended if necessary.

Dr. Slater, in his brief to the committee, indicated the desirability of loan classification into two or three broad classes such as business loans, consumer loans and mortgage loans, with different ceilings applicable to each. Our experience with the fixed rate of 6 per cent indicated that it was not adhered to either in business loans or consumer loans, and we are attempting to apply the same formula by pretending to impose a fixed rate to all classes of loans and excusing ourselves by permitting the banks to add on service charges, thereby making up for the difference in the rates. I feel that the classification of loans suggested by Dr. Slater with the ceilings being adjusted by some formula as credit conditions is preferable to our present method.

I was also very impressed by the suggestion of Professor Ziegel that there should be a fixed ceiling of 12 per cent on consumer loans. It is almost obvious what is going to happen when the present formula goes into operation. Consumer loan rates will jump from the present 10 per cent to 11 per cent to 13 per cent or 14 per cent, and the banks will justify this increase by claiming they are now attracting a larger group of loans which formerly went to the finance companies. The best method to control the finance companies is to increase the amount to which the Small Loans Act applies from $1,500 to at least $4,000 or $5,000.

• (12:10 p.m.)

Now, Mr. Chairman, the claim of the chartered banks for the lifting of the ceiling rate was that they should be in a more competitive position regarding the different types of loans to borrowers, and they were apprehensive of the rate of expansion of the near banks. We must remember that according to the evidence the chartered banks still attract 73 per cent of all deposit liabilities, and with their credit expansion power are in a very strong competitive position. All chartered banks have shown excellent growth and profits in the last few years, and the profit trend has been upward rather than downward. There is no evidence of any meaningful differences in interest rates amongst chartered banks, and they tend to stress competition in terms of attracting deposits and performing services to customers rather than in differences of interest rates. I rather suspect that the rates of interest are on a follow the

leader basis rather than a true competitive basis.

This is why my colleague the hon. member for Nanaimo-Cowichan-The Islands has strongly suggested that the government should retain the powers set forth in section 53 of the act, so it may enter the field of banking and provide a more competitive basis. This suggestion has been followed in countries like Australia, New Zealand and France, and is certainly worthy of acceptance in Canada. In the committee we heard representations for permission of foreign agencies to operate in Canada, and Dr. Neufeld suggested that these agencies should be given a licence for a ten year period. This is in contrast to Canadian agencies in other countries where they are only given a one year licence to operate, such as the United States. However, if foreign agencies provide competitive conditions in respect of interest rates and services, and if competition is a good thing, then we should not hesitate to have foreign agencies operating in Canada.

I have already pointed out the difficulties that trust and loan companies are going to experience if the powers of chartered banks are extended to long term lending by way of mortgages, and the necessity of granting these institutions the right to enter the consumer loan field. Their entry into the consumer loan field would add to the competitive basis of the financial economy.

We in the New Democratic Party, Mr. Chairman, were greatly persuaded by the representation of the Canadian Credit Men's Association concerning the statutory prohibition on charges for the negotiation of out of town cheques. Their recommendation is in keeping with the Porter commission report, which makes the same recommendation and goes on to say that the actual handling of out of town cheques does not involve any significant extra cost to the institutions concerned.

In his brief Professor Ziegel indicated that the boards of directors of the chartered banks were made up of representatives of business, and not of other groups within the community such as trade unions, consumer groups and the like. I also remember Mr. Sinclair Stevens indicating to the committee that more than 30 per cent of bank loans are made to companies which have directors on the boards of chartered banks in the country. Professor Ziegel suggested that the Minister of Finance have power to appoint representatives from different groups within the community to the boards of directors of the chartered banks who would possess supervisory powers. We agree with this suggestion, which would increase public confidence in the operations of banks, which have now reached the stage of being semi-public institutions.

The evidence before the committee, more especially by the junior trust companies, indicated discrimination within the cheque carrying system which is under the control of the Canadian Bankers' Association. We recommend that the Canadian Bankers' Association act of incorporation be amended to permit all financial institutions to participate directly in the system on a fair and equitable basis.

These are the general observations that I would like to make at this time, Mr. Chairman.

Mr. Olson: There is only one aspect of this Bill No. C-222, Mr. Chairman, that I want to discuss, and that is the lifting of the statutory interest limit on bank loans. I was not a member of the committee, but I know this matter was discussed in the committee and I know some of the reasons advanced for authorizing the banks to go above the 6 per cent. It was suggested that all chartered banks in the country would then be able to provide a far wider range of credit requirements to Canadian citizens. I do not accept that contention, because I believe that for many years the banks have shown a reluctance to get into the consumer credit field, and this is not wholly related to the rate of interest they have been able to charge.

We know also, Mr. Chairman, that to a very great extent the banks have circumvented the statutory interest limits imposed, by various types of discounts and the imposition of certain other charges which in fact have raised the effective return substantially above the 6 per cent. If the banks had been really serious about getting into consumer financing and personal loans, then I think they could have and should have done it several years ago. I believe they missed the opportunity of providing the kind of credit requirements that Canadians were demanding seven or ten years ago. This has been the main reason for the proliferation and growth of the consumer financing companies in Canada and, as many people believe, in the world as well.

Even if this statutory limit were raised I believe all the banks would continue to lend money in large blocks to the finance companies that are now in existence, and let these

finance companies do all the servicing of these accounts. It seems to me that all that is going to happen or the practical application will be that the banks will be charging 7¼ per cent for all the loans they have out now at the statutory limit of 6 per cent. One effect of this move is simply going to be to raise the cost of living, the cost of operating at the manufacturing level and the wholesalers' level, so the ultimate result will be an increase in the price structure.

I just do not believe, and I have not seen anything to indicate to me—I hope the minister has some assurance, but he has not indicated it to this house if he has—that the chartered banks of this country are going to proceed to expand their personal and consumer credit departments as soon as they are allowed to charge 7¼ per cent rather than 6 per cent. Unless they do, Mr. Chairman, I fail to see any advantage to the Canadian nation as a whole in lifting this statutory limit.

On the other hand I see some disadvantages. As has been pointed out a number of times in the committee and in this house since we have been discussing Bill No. C-222, the banks are not suffering. The 6 per cent statutory limit that is imposed at the moment is not causing them to suffer in so far as profit and net return on investment are concerned. Therefore the change cannot be justified on that ground.

Even if that were true, Mr. Chairman, I think the members of parliament have a responsibility to the Canadian people. They need to look at the whole economy to see what the net result of the change is going to be. No matter how I look at it, Mr. Chairman, it seems to me that the end result will simply amount to an increase of 1¼ per cent on all the loans and financing of the chartered banks. As I said, if you include this increase in the cost of manufacturing operations and throughout the whole distributive system, then I suggest there will be a significant increase in the cost of living as a result. I think this is one of our primary responsibilities and something we need to be concerned about.

• (12:20 p.m.)

The joint committee on consumer credit and cost of living recommended that the banks grant loans up to a certain amount to consumers or to families on a guaranteed basis similar to loans made under the Farm Improvement Loans Act and the Small Businesses Loans Act. I think this is a good idea. I believe that people of this kind ought to have some access to the credit granting facilities of this country. This has not been the case in the past, certainly not in a form that Canadians wanted. I am apprehensive about this particular part of the bill, because I do not believe the banks are going to provide the kind of facilities that we are hoping for.

Mr. Sharp: Mr. Chairman, I wonder whether I could ask the hon. gentleman a question. Could he explain to the committee why the Economic Council of Canada, which is so broadly representative of all sections of the population and is just as concerned as any group in the country about the cost of living, and so on, should have recommended that the government give serious consideration to removing the ceiling on interest rates on loans?

Mr. Olson: Mr. Chairman, it is not for me to try to explain the reason for the Economic Council's recommendation, though I would agree with it if we had along with it an assurance from the chartered banks of the country that they would make use of this additional interest to meet the requirements of certain sections of the Canadian people who are compelled to go to finance companies. If the minister can give this committee some assurance that the banks intend to greatly expand their facilities for personal and consumer credit, then it would at least give us some good reason for passing this legislation. But if this provision is only going to allow them to collect more interest on the kind of loans and credit facilities which are now in operation, then all this is just going to add to the cost and will ultimately find its way into the price structure of this country.

If the minister has had such assurance from the banks, then I suggest that he tell this committee. If he has done so then I have missed the announcement. The minister may have expressed the hope that the banks would do this, but I have yet to hear the banking fraternity suggest that they are going to provide a better service in this particular sector of the consumer field.

It may also be well to note that if the finance companies, which rely on the chartered banks to supply a lot of their capital, are required to pay the banks an additional 1¼ per cent interest, which is something like an increase of 20 per cent in the rate, I suppose it follows that the finance companies will have to raise their charges instead of lowering them. Our hope was that if the banks were to be more competitive then the finance companies would have to lower some of their

rates, which can go as high as 18 per cent, 24 per cent and even higher, but so far we do not have this sort of assurance.

As I say, until we have the assurance that the chartered banks will expand and intensify their lending facilities so as to be more competitive in the financing field, we are going to do the country a disservice by simply increasing the whole price structure of the country, which of course will ultimately mean an increase in the cost of living.

I said I would be brief, Mr. Chairman. I have stated my main objections to the amendments to the Bank Act. There are a number of other clauses on which we will have a word or two to say when we reach them. The party I represent does not believe there is any valid reason or justification for this increase in the interest rate because the banks have not been suffering in the profit picture.

I am a little confused as to the stand taken by the New Democratic Party on this question. The hon. member who preceded me suggested that his party was not in favour of raising the maximum interest limit on bank loans, but at the same time the hon. member for Nanaimo-Cowichan-The Islands, as reported at page 14043 of *Hansard* for March 15, said:

> I came to the conclusion that there was not too much to be said for the maintenance of the 6 per cent ceiling because it could be evaded so easily—

—and so on. So it looks to me, Mr. Chairman, as if the hon. member for Nanaimo-Cowichan-The Islands is in favour of removing the 6 per cent interest ceiling, while the hon. member who has just taken his seat said it was against the policy of his party to do so.

Mr. Cameron (Nanaimo-Cowichan-The Islands): Would the hon. member permit a question?

Mr. Olson: Yes.

Mr. Cameron (Nanaimo-Cowichan-The Islands): If the hon. member would read the rest of my speech he would find I said that in default of any other sort of control, even this ineffective control which is contained in the original formula, the ceiling should be adhered to.

Mr. Olson: Mr. Chairman, what the hon. member is now trying to do is explain away what he said. I read his exact words, and he said:

> I came to the conclusion that there was not too much to be said for the maintenance of the 6 per cent ceiling because it could be evaded so easily and because there seemed to be a fair amount of evidence, to the extent that it was not evaded, that the 6 per cent ceiling was giving rise to the growth of near banks and various financial institutions which have been causing cold shivers to run up and down our national spine for some time.

That is the complete text of that paragraph, Mr. Chairman. The interpretation to be placed upon it must be that the hon. member cannot see very much justification for maintaining the 6 per cent statutory limit. Certainly that is what he said.

Mr. Cameron (Nanaimo-Cowichan-The Islands): But I went on to say I had grave doubts about its efficacy. If the hon. member would read the rest of my speech he would find I said that if the government were not prepared to accept the only sensible solution to the problem, which I outlined at some length, then we would have to rely on this inadequate protection.

Mr. Olson: Well, Mr. Chairman, this is one of the problems that arises when you try to be on both sides of the fence at the same time.

Mr. Lambert: You should know all about that.

Mr. Olson: You just have to try to do what the hon. member is trying to do now, and that is place a new definition upon your words. Having said something the hon. member is trying to explain it away hoping that we will forget the words he used. But in this chamber what we say is written down, and what was written down was what I quoted.

Mr. Cameron (Nanaimo-Cowichan-The Islands): The hon. member is adopting the usual practice of people who want to misrepresent what somebody else has said, and that is to give only part of the quotation.

• (12:30 p.m.)

Mr. Olson: Mr. Chairman, I read the entire paragraph. Perhaps the hon. member should have corrected his speech. Recorded here is what the hon. member said. I do not know whether he intended to say those words, but they are here. The operative words to be found on page 14043 are:

> I came to the conclusion that there was not too much to be said for the maintenance of the 6 per cent—

Well, Mr. Chairman, those words are hard to reconcile with the words spoken by the hon. member who just preceded me, who said, I believe, "Our party is not in favour of

raising the limit on the interest rate," or words to that effect.

Mr. Gilbert: Mr. Chairman, that is precisely what I did not say.

Mr. Olson: Then I apologize; I must have misunderstood the hon. gentleman. Perhaps when I read the speech of the hon. member for Broadview I shall also find statements he did not mean to make.

Mr. Gilbert: I said we are not in favour of the formula presented at the moment by the government.

The Acting Chairman (Mr. Asselin, Richmond-Wolfe): One speech at a time, please.

Mr. Olson: That is a good idea, Mr. Chairman. Perhaps when I read the speech of the hon. member for Broadview I shall find certain statements he did not intend to make. The hon. member may be surprised that often there are words one does not intend to say, as happened with the hon. member—

Mr. Cameron (Nanaimo-Cowichan-The Islands): If the hon. member is referring to me, I fully intended to say what I did say. I was under the impression that I had an audience capable of understanding my words.

The Acting Chairman (Mr. Asselin, Richmond-Wolfe): Order, please. The hon. member for Medicine Hat has the floor.

Mr. Olson: Thank you, Mr. Chairman. In conclusion I want to say that as far as our party is concerned the end result of raising the statutory limit will be the intolerable one of raising the whole cost of production and distribution in Canada, thereby raising the limits of the price structure and ultimately increasing the cost of living. I do not think this is a good time to raise the statutory limit.

Mr. Sharp: Before the hon. member sits down may I ask him how it is that he finds this action we are taking so reprehensible when the general rate of interest in Canada is coming down so rapidly today.

Mr. Olson: I hope the minister is not trying to suggest that there is any connection between the debate in this house on Bill C-222 and the rate of interest going up or down. If the Minister of Finance wants to take credit for the interest rate coming down in Canada today he should also be prepared to take the responsibility when the interest rates go up. When interest rates go up he says they have gone up in Europe, in England, in the United States and so on.

If my memory serves me correctly, and I think it does, there have been two announcements from the United Kingdom, one yesterday and another several days ago, that their interest rate has declined by one half of one per cent. That is a decline in the prime interest rate. The Minister of Finance will have great difficulty in giving the government of Canada credit for the decline in our interest rates. This is a world wide situation, happening in many countries of Europe, caused I presume by the easing all over the world in the demand for credit.

Mr. Sharp: That was exactly the point I wanted to make. This action will not raise the rate of interest around the world or in Canada.

Mr. Olson: No. It may not raise the rate of interest around the world; it may not raise the prime interest rate in Canada, but I am concerned with the consumers, the customers of the banks. If the minister says this action will not raise interest rates to manufacturers, wholesalers, retailers, transportation companies, and all those other entities in our economic community, what is the point of increasing the rate? I suggest that many people seeking loans will pay more than 6 per cent on them after this bill becomes law. The minister means that will not necessarily happen. I am not naïve enough to think that loans to entities of the kinds I have mentioned will remain at 6 per cent after this bill becomes law. I think we must assume that the interest rate will be raised by 1¼ per cent, to 7¼ per cent.

What is more, I believe we shall be amazed at the consistency with which all chartered banks raise the interest rates on their loans at the same time. Provisions in the act, I know, provide fines and other penalties for collusion, combining or conspiring to set interest rates. But with the very few chartered banks we have in the country I am prepared at this date to expect them consistently and with great uniformity to raise their interest rates as soon as this bill becomes law.

Mr. Klein: Mr. Chairman, I want to deal with two areas of the Bank Act, one of which deals with loans to certain borrowers and the security taken for the loans. This part appears in the Bank Act as section 88. That section provides that if loans are made, for example, to a manufacturer the manufacturer transfers his right in the manufactured article

to the bank by signing an intention to give such security. Not only is the ownership of the product already manufactured vested in the bank, but the product not yet manufactured and to be manufactured is also so vested.

When Mr. Elderkin testified before the finance, trade and economic affairs committee he said this as found in minutes of proceedings and evidence No. 52 on page 3524:

In most cases—

—and this provision still exists under the act—

—where security is taken under clause 88 on a moving inventory the bank gives consent to the manufacturer for the sale of inventory in the normal course of trade.

To illustrate what is meant let me give a specific example. Supposing a person manufactures television sets. He transfers to the bank the ownership of the television sets he has manufactured as well as the ones he will manufacture. When he sends out his statement of account for the sale of a television set the sales tax chargeable to it is included in the price and is deposited in the bank. Do not forget that once a person comes under section 88 to all intents and purposes he is a captive customer of the bank.

This means that the bank has received the tax owing to the government. In the event of the bankruptcy of the individual, or if it is a limited company this would apply to the directors of the company, he is personally responsible, as are the directors, for the payment of this sales tax. Things such as income tax are deductible at the source. But what happens in the event of bankruptcy is this. Prior to bankruptcy this manufacturer, as has happened in the past, would issue a cheque payable to the Receiver General of Canada for the sales tax involved on the sales which have taken place, in respect of which the banks have already received payment. The manufacturer will send out this cheque, and the bank on occasions has refused to honour it.

If the company or the individual subsequently goes into bankruptcy, under the sales tax legislation that individual—and this includes a director of a company—is personally responsible to the government for the payment of the tax which the bank has received. The regulations under the sales tax legislation are so stringent that an individual who has no money to pay and who has failed to get his bank to pay the sales tax under these circumstances can even go to jail.

• (12:40 p.m.)

I say this is an abuse. The government is being deprived of money to which it is legally entitled. It is an abuse which has been going on ever since section 88 was introduced into our law. I strongly recommend to the minister that he look into this problem, because on occasion it works great hardship on people who do not have the money to pay the sales tax because all that money has gone into the bank account. The effect of this practice is that the bank is using the sales tax receipts, which clearly belong to the government, to reduce the liability of the customer to the bank. I think this situation should not be allowed to continue.

In my view, when the banks receive sales tax they should open a new ledger account of some kind in which the amount of the net sale to the credit of the customer and the amount of the sales tax would be separately listed. The bank would be responsible for seeing that the tax was paid to the government. The same considerations apply to income tax deducted at the source where the deductions are also retained by the bank. Again the directors or owners of the company are responsible for its payment. I strongly suggest that this abuse be corrected.

The second matter I should like to discuss concerns the Mercantile Bank, particularly the time limit allowed to the bank in which to adjust its affairs in keeping with the proposed legislation. What bothers me is the period of time which has been allotted. I was struck by a statement which was made by the hon. member for Verdun as reported on page 3493 of the minutes of proceedings and evidence of the committee on finance, trade and economic affairs which dealt with this matter. The hon. member said:

The point I am trying to make is that Mr. Cameron at that time suggested to Mr. Rockefeller that we are not anti-American but that we had the right to draw up our own Canadian rules for the next 10 years. Mr. Cameron suggested to Mr. Rockefeller that a period of up to 10 years should be given for the Mercantile to conform to the rules and regulations, so long as we did nothing to depart from the principle that this is the pro-Canadian legislation that we want it to be.

The period of five years was decided on as the period of adjustment, but the decision was not made on a scientific basis. It was not made because it would take five years to do the things which the legislation requires the bank to do. It was an arbitrary figure, one which the committee felt was a reasonable length of time within which the bank could

carry on its affairs in Canada in order to bring its shares into an attractive position. If this period had been calculated on a scientific basis as a result of which it was thought that five years would be the right length of time, I would go along with it, but this is not the case. As I have just pointed out, one of the members of the committee thought perhaps 10 years was the proper period. I do not know whether 10 years is the proper period or not. I do not know whether five years is the proper period or not.

As reported at page 3484 of the same minutes of proceedings and evidence, No. 51, the hon. member for Edmonton West had this to say:

> There is the point, too, which I think would be even more salutary, that in the event that they did not so feel, the investing public would certainly sense that there was going to be action taken—and very drastic action—with negative results on their profit position, and down would go their shares.

In my judgment this is a sound statement. As the law is drafted now, we are saying in effect to the Mercantile Bank "You have a charter to do business in Canada for five years, but at the end of that period your rights under the charter cease and you must comply with the conditions laid down in the new act". Perhaps when we are considering the bill clause by clause I shall have something else to say on this matter. I can visualize many things which might occur within this arbitrary period of five years. The penalty provided in the event of the failure of the Mercantile Bank to comply with the terms of the Bank Act at the end of the five year period is $1,000 for every day the bank is in default. I am not saying this will happen, but conceivably the Mercantile Bank could be so successful, and work up such an astronomical surplus, that it would be profitable to pay the $1,000 a day or $365,000 a year.

Mr. Alkenbrack: Does that include Sundays?

Mr. Klein: The hon. member is right; the yearly figure would be less than that. But the bank could use its surplus to pay this daily fine. If this were to happen, what would be the effect upon our relationship with the United States? I do not believe the imposition of a fine at the rate of $1,000 a day upon a United States banking institution would make for good relations. Indeed, we should be most careful to ensure that circumstances of this kind could never arise.

If the bank is to comply with the legislation it will be necessary for it to reduce its liabilities. It is possible that at the end of the five year period some of its assets will be difficult to realize in cash. Let us not forget that this is also an area of provincial jurisdiction. Certain forms of security may be covered by provincial legislation, and there have been cases in the past, admittedly during times of depression, when provincial governments have declared moratoria.

I do not know what the situation will be. If this five year period is adhered to the bank may find that in the fifth year no person will want to do business with it; the public will know it is going out of business, in a sense, and cannot make long term loans. It might affect the price of the shares.

• (12:50 p.m.)

I shall leave this matter for discussion when the clause is before us but, Mr. Chairman, it seems to me we ought to give more thought to the question of whether the five year period is enough under the circumstances, or whether it is too much under the circumstances. I leave it at that for the moment, Mr. Chairman.

Mr. Horner (Acadia): Mr. Chairman, in effect this bill is necessary because we have to extend the bank charters for an additional ten years, but other than that I firmly believe this country would be better off if this legislation were not passed because it does nothing to meet the problems confronting Canada.

There is an interesting coincidence in our having this debate at this time in view of financial conditions during the past year and a half and the government's estimated spending in the year ahead. Just this week the estimates for the coming year were tabled, showing a 20 per cent increase in government spending and an increase of about 8 per cent in government revenues. Also the governor of the Bank of Canada has just tabled his annual report for 1966 in which he issued grave warnings to the government.

During 1966 inflation increased rapidly, to the detriment of Canada. The consumer price index went up to an extent that alarmed many Canadians. The increase in the index also alarmed the government to the extent that it appointed a consumer prices committee which held meetings across Canada, trying to ascertain the reasons for the increase. Without a doubt one of the reasons was the cost of money. I sat on that committee, which

received briefs from contractors, home builders and manufacturers, all saying that the cost of money was one of the factors which helped create inflation.

Faced with all these problems the government now presents this major finance bill. Does it attempt in any way to answer the problems confronting Canada? It should, but the only conclusion I can come to is that it does not, and Canada would be better off without it if it were not for the fact that the bank charters have to be extended for an additional ten years, following the policy which has been in effect since the establishment of the Bank of Canada in 1934.

Last September 6 the *Globe and Mail* carried an article saying "The next four months' pay goes for taxes." In other words Canadian taxpayers will be working the last four months of this year to pay the taxes necessary to maintain the society in which we live. The only fault I find with that article is that in my business the taxes are paid first, and what comes after is all one has to live on. In maintaining a farm, a house or a business the taxes must be paid first, and I say to Canadian taxpayers that we are working the first four months of every year to pay our taxes in order to be allowed to live in this country for the remaining eight months.

What does this bill do to solve that problem? It does very little if anything. It makes no attempt to analyse the reasons for the continual overloading of demands on the Canadian taxpayer, demands which have been stepped up by the government.

We saw inflation run rampant in Canada last year. Who really benefits from inflation? If anybody benefits it is the Minister of Finance in balancing his books. To be polite, it is a less than honest way to balance the books. When the Conservative party were in office we heard a great deal of discussion about deficit budgeting, but at least deficit budgeting was honest budgeting. The Minister of Finance can disagree with me if he likes. Had we printed money as this government has done and caused inflation, prices would have gone up but the government, under its tax regulations, would have automatically received far more money.

The government has borrowed money, good honest dollars, and is repaying its borrowings with dollars of lower value than when the borrowings were made. The cost of living went up by more than 6 points last year. The government now is receiving $1.06 for every $1 it got last year, but is paying off its borrowings at a lower value dollar.

The only person who got the benefit of inflation was the Minister of Finance. He did not benefit as a consumer, but he benefited in balancing his books. In other words, if a government wanted to it could spend money wholesale, so long as it printed it and balanced its books, to the detriment of the country. That is exactly what happened last year. The government could have taken steps to achieve greater control with respect to this problem, but it has not done so.

Do we adjourn for lunch, Mr. Chairman?

The Chairman: Order. It being one o'clock, pursuant to the order of the house made on Friday, March 3, this sitting is adjourned for one hour.

SITTING SUSPENDED

SITTING RESUMED

The committee resumed at 2 p.m.

Mr. Horner (Acadia): Mr. Chairman, in my remarks before the luncheon hour I said that this bill as presented to parliament really would do nothing to alleviate the conditions which have existed in the Canadian society in the past year. I listed those conditions. The first was the great increase in the cost of consumer goods; in other words, inflation was one of Canada's basic problems in 1966. This inflation was brought about by poor handling on the part of the Minister of Finance and his whole department and by a rapid increase in our money supply through mismanagement on the part of the Minister of Finance. High interest rates prevailed in 1966 and in addition we had inflation and labour unrest. The government has brought in the estimates for the next fiscal year and we see by these estimates that government spending will be up 20 per cent.

We have these huge increases. I wonder how they will help the situation. We have the annual report of the governor of the Bank of Canada who gives very clear warnings to the government with regard to the grave dangers in which our society finds itself. I intend to quote some of these warnings. In the face of these warnings this legislation should really do something more than renew the bank charters for another ten years. It does not come to grips with the problems facing Canada. As I said before lunch, inflation aids only one person in Canada, and that is the Minister of Finance. It aids him in only a

very poor sort of way, namely, in balancing his books and creating what might be called a balanced budget or very nearly a balanced budget by weakening the buying power of the Canadian dollar. In this way the minister is allowed to pay off last year's debts with less real dollars. In fact, this is dealing with the taxpayers' money in a less than honest way in order to balance the budget.

• (2:10 p.m.)

When the Conservative government was in power we heard a great hue and cry about deficit budgeting, but at least deficit budgeting was an honest way of handling the finances of this country. Inflation robs every Canadian, and the only person who benefits from it is the Minister of Finance in balancing the books. It is of assistance to the minister in the way of publicity because he has balanced the books, and that is about all. This is what happened last year.

What were the warnings of the governor of the Bank of Canada in the speech he delivered in Rome? In this connection I should like to quote from the Ottawa *Journal* of November 10, 1966. The governor of the Bank of Canada was speaking to a meeting of Italian and international bankers, and he said:

> The main theme that I have put forward in this lecture is that the central banker today is a public servant as well as a banker. His role is to operate one of the instruments of public policy for the attainment of the economic objectives of the community.

He went on to say:

> Inflation in its early stages is popular, it creates a feeling of ebullience and well-being which does not tempt the community to ask too many questions about the future.

This government, through the Department of Finance, has allowed our money supply to increase at a rapid rate. They did this because they wanted to create a feeling of ebullience in Canada. They wanted to create this condition because they intended to go to the people in 1965 and thought they would be returned with a huge majority in the house. They failed in that attempt. But the result, of course, is the inflation that the government brought about. What does the governor of the Bank of Canada say in his annual report? He says:

> Diverging movements in cost and productivity such as we have been seeing recently cannot go on for long without seriously affecting the Canadian economy.

[Mr. Horner (Acadia).]

This is a quotation from the Ottawa *Journal* of March 15,

> It is clear to me that for much of the last two years we have overloaded the economy.

"Overloaded" is the key word there. The Minister of Finance, who must control the purse strings of the government, has allowed government spending to increase by 20 per cent. This huge increase in government spending will do nothing to solve the problems that we in Canada face today. Just to demonstrate how irresponsible the Minister of Finance and the government are, an irresponsibility which is evident in the bill we are now debating, the governor of the Bank of Canada goes on to say as reported in this article which appeared in the Ottawa *Journal* of March 15 last:

> It seems from past experience that is indeed the choice governments say is before them. But there is another course: to cut expenses—

Every taxpayer in Canada is urging governments to cut expenses. Taxes rob the Canadian people of their initiative to work and produce and will eventually price us out of world markets. But the government is imposing a higher level of taxes and is causing inflation which will put us out of world markets. The article goes on to give one simple way in which the Minister of Finance could have exercised his jurisdiction over the purse strings of the government:

> Can we believe the government was sincere in its attempt to cut expenses when the estimates reveal that the C.B.C., for instance, is to get an added $29 million or 25 per cent more?

We have heard a great deal about coloured television sets. We cannot find out where they have gone but we know the taxpayers' money has been spent for them. In this year's estimates there is an increase of 25 per cent for the C.B.C. This is only one facet of government spending. Let us look at the Bank Act itself and how it tries to meet these problems. It might be said that the Porter commission said that the ceiling on the interest rate should be removed but that commission also said that the near banks should be brought under the provisions of the Bank Act, and the bill before us does not do this. The commission said that the ceiling on the interest rate should be lifted so that the chartered banks could lend money at a more favourable rate of interest. They wanted to allow the chartered banks to be in a more competitive position with the near banks. It has always been the policy that if you give someone something you must balance it out with some other measure.

Under the bill to amend the Bank Act we are doing very little to bring the near-banks under the provisions of the act. We are giving the chartered banks the right eventually to set whatever interest rate is designated by competition. Arguments can be made on both sides of this question, but without doubt this measure will mean that the consumer will pay a higher price for the money he borrows, which will eventually cause an increase in inflation. Whether we like it or not, the cost of money is one of the key, basic factors in the production of goods. An article which appeared in the Toronto *Daily Star* of June 21, 1966, dealt quite extensively with the question of giving the chartered banks the right to set their own interest rates on loans. The article said:

> The chartered banks claim to be losing business to the near banks—the trust, mortgage loan and finance companies and credit unions—and it's true that their percentage share of total lending has dropped since the war. But in dollar terms, their growth has surpassed that of the other institutions in the past decade. And the net profits of the big five chartered banks rose from $35 million in 1955 to $85.5 million last year.

The article goes on to say:

> No hardship case there.
>
> The main argument for a higher interest rate is that it would bring a fresh surge of competition among lending institutions and enable many businesses to borrow at lower rates than they can now. No doubt some businessmen now paying 10 or 11 per cent to finance companies would be able to get bank credit at 7 or 8 per cent.
>
> But a more general effect would probably be higher interest rates in most categories of loans, raising production costs and consumer prices. The other institutions could raise their rates along with the banks and still expect to hold their share of the business.

• (2:20 p.m.)

The words I have read from this newspaper article support my thinking that what will happen is that big borrowing institutions will be able to get money 1 per cent, 2 per cent or 3 per cent cheaper than they are now paying for high risk venture capital, but the average consumer will be paying more for money if these amendments to the Bank Act go through. The average borrower will therefore have to charge more for the goods he produces, no matter what business he is in. This will cause another increase in inflation and the costs of production.

We in Canada need not be confident in thinking that inflation was running rampant last July and September but is perhaps slowing up a little now. Inflation was running rampant last July and September and perhaps it has slowed down to a certain extent at the present time, but we need not be confident that this trend has stopped because wage negotiations take place at the expiration of contracts and contracts are expiring every year. The cycle started by the government last year has created inflation and working men have realized that they have to demand higher wages to meet the increased cost of living. As a result there has been an increase in the demands made in labour negotiations, and this situation is still facing us because the cycle of wage negotiations has not ended.

It was quite clearly demonstrated to us last year that once the government had recommended that in the case of three unions the increase in wages should be 34 per cent and maybe as high as 37 per cent, what is now commonly called the Pearson formula in wage negotiations was established. Today a labour leader is not worth his salt unless he argues for a 34 per cent increase. If I were working for a union and my leader did not attempt to obtain a 34 per cent increase I would not vote for him. In fact I would vote against him because everybody else is getting the increase so why shouldn't I? This is what people are saying all across Canada.

If we as legislators could say that inflation is over and if we could revert to what is commonly considered by economists to be a normal amount of inflation, 1.2 per cent or 1.4 per cent, as was the case in the years when the Conservative party was in power—anyone who wishes to check the statistics for those years will find that the average was between 1 and 2 per cent a year from 1958 until 1963—all would be well and good. But what is the situation at present? We cannot say that inflation has stopped and that the upward trend evident last year has been reversed because, according to the statistics, housing costs and interest rates are going up.

A while ago the minister said, in answer to a question put to him by the hon. member for Medicine Hat, that interest rates are coming down. I suppose he was referring to a statement he made in the house that interest rates on treasury bills were down to 4.5 per cent. But who is affected by treasury bills? We as legislators are mainly concerned about the consumer, and a long time will elapse before he is affected by the low interest rates to which the Minister of Finance referred.

If one had a suspicious mind one could say that the interest rate on these treasury bills has been brought down by the manipulations of the government through securities and the buying of government bonds by the Bank of

Canada at a time when this legislation is before the house and we are asked to remove the ceiling because interest rates are coming down. But I say that inflation is not over and interest rates are going up. There is labour unrest all across Canada. The real cause of the labour unrest is to be found in the Pearson formula with which we now have to live.

The Calgary *Herald* of March 13, 1967 quoted Mr. Rasminsky as saying that the central bank and the government should have recognized the dangers sooner and adjusted their credit and tax policies to suit. He said that statistics on past performance and economic forecasting are insufficient. He went on to say:

> The average increase in wage and salary rates last year was "far in excess of any reasonable estimate of the average annual increase of output per worker in the economy, and even farther above the disappointingly small gain that, according to the figures available, we appear to have had in non-farm productivity in 1966."

In other words, non-farm productivity increased far more rapidly than farm productivity. Mr. Rasminsky also said that we must realize that labour unions will continue to seek higher wages in the contracts they will be negotiating this year, and he warns the government to recognize this fact and to act on it so as to stop the inflationary trend. What has happened is that the government first created inflation and then brought about a tight money policy in order to halt it. This has caused the near bankruptcy of many financial institutions. In fact, two of them did go bankrupt and the collapse of many more would have occurred if the government had not lent them money and thus kept them in business.

I think one can safely say that in recent years we have witnessed the worst handling of government finances in Canada's history. I agree with the economists who say that perhaps we should take away from the government the power to make decisions with regard to the increase in money supply and set a fixed amount in accordance with the gross national product and the population, thus removing periods of high inflation and high increase in money supply followed by tight money and fluctuations in the economy. As Mr. Rasminsky said:

> Inflation in its early stages is popular, it creates a feeling of ebullience and well-being which does not tempt the community to ask too many questions about the future.

[Mr. Horner (Acadia).]

The tight money situation brought about by the government has caused many hardships to financial institutions, as we saw last year, as well as to industry and to individuals operating smaller businesses or working for wages.

The Minister of Finance has shown a complete lack of responsibility. His only concern is to rob the Canadian taxpayer. The Bank Act does nothing to arrest the rampant inflation which has existed in Canada in the last few years. Not only has it not arrested it but it is moving in the wrong direction. I am not saying that we should never remove the interest ceiling on bank loans but now is not the time to do it when we still have inflation. This measure can only worsen the situation.

Let me say first of all that one of the things the bill to amend the Bank Act is attempting to do is to create more competition among banks. I am all in favour of that but I do not think it will succeed in doing it. Until there is more competition, perhaps the interest ceiling on bank loans should not be removed.

Members of the New Democratic Party have made statements with regard to the interest rate. Although I listened to the statement made by the financial expert of that party I still do not know whether he is in favour of this legislation. I thought I was the only one who did not understand him but I have found out since that the hon. member for Medicine Hat also has doubts as to the position which the N.D.P. took.

We in the opposition urge the Minister of Finance to become more aware of his responsibilities and to realize the effect which this legislation will have on every segment of the Canadian economy and on every person in Canada. We consider that he has done a poor job in handling the finances of Canada and he alone must accept the full responsibility for the inflation which exists in our country. It is all well and good for the government to set up a committee which has travelled all across Canada and heard all kinds of evidence. I have been a member of that committee and I heard the governor of the Bank of Canada explain his position with regard to the increase in money supply. He admitted in the committee that too rapid an increase in the money supply could cause inflation and he said, rightly or wrongly, that as a result of the financial collapse of certain institutions people have invested in the banks which has resulted in a greater supply of money. But basically the Minister of Finance should be made aware of his position and his responsibilities. I hope that in the proposed

cabinet shuffle he is either shuffled right out of that department or made aware of his responsibilities and told to take them more seriously in the years ahead.

• (2:30 p.m.)

Mr. Baldwin: I have a very few observations to make, Mr. Chairman, in connection with this measure and this clause. I do so because I think it should be emphasized over and over again at this time that there are many people in this country and many hon. members in this house who are not satisfied with the failure of the government to throw wide the net which it could cast under this new legislation to include other institutions than the chartered banks. I am tempted to make this comparison because I am sure it would appeal to the hon. member for Acadia. Within the corral now there are seven or eight thoroughbred banks but ranging beyond the corral are a number of mavericks, scrubs and standard breeds. Nevertheless, if all of them are not brought within the scope of some restricting, supervisory legislation the government will not be capable of exercising, at times when it should, supervision of monetary or fiscal policies, which is very important in the kind of society in which we now live.

For that reason I am supporting the very strong argument advanced by the hon. member for Edmonton West when he spoke in the house yesterday. It was a logical argument, an argument based on legal precedents. I have used the same argument myself. I spoke at the resolution stage of this bill and I spoke when the subject was brought up by the minister's predecessor. I find it essential to advance the argument again at this time despite the fact the government does not seem to be moved by it. The argument is supported by the views of the Porter royal commission. There is no doubt at all that the constitutional cases especially have established beyond any shadow of doubt that the word "banking" has that widest and most comprehensive meaning which would be required if the government were to prepare legislation to cover many of the institutions we now know as near banks.

The Quebec case which went to the Privy Council in 1947 and the Alberta cases which were decided in 1938 and 1947 make it quite plain that if the government should see fit to exercise the right, it has every authority to do so. I believe that the very sensible, logical and orderly arguments of the hon. member for Edmonton West have pointed this out. I have read some of the transcripts of the proceedings of the committee and note that this point was brought up time and time again by the members of Her Majesty's loyal opposition. The minister, on behalf of the government, has said no. He has advanced various reasons. It has been suggested that it is difficult to obtain a comprehensive and adequate description and definition of a bank which would meet the situation. It has been suggested that other countries have found the same difficulty. These are not acceptable answers having in mind the dangers inherent in a situation which could come about where it would be essential or desirable to deal with monetary policy and, because of the fact all these institutions were not covered by the legislative authority of the federal government, the government would be unable to act.

I should like to deal for a moment with a situation which has been referred to in connection with an announcement by the premier of Quebec that it is the intention of his government to introduce a measure imposing taxation on institutions in that province. I suggest that we should be very cautious in our approach to this issue. It was significant that this subject was raised in the house yesterday by the hon. member for Medicine Hat because it was a government composed of the party of which he is a supporter which in 1938 attempted, by introducing a measure dealing with financial institutions and particularly banks in the province of Alberta, to use the weapon of taxation as a means of compelling the banks to follow the views of the government of the day.

There is no doubt at all that provincial governments have every right to impose taxation for revenue purposes within the scope of section 92 if they so wish. If the proposal set out by Mr. Johnson is limited purely to the raising of taxation for the purposes of the revenue of the province, none of us can or should take any exception to it. This was the basis of the reasoning in the Alberta cases. At that time the Alberta government imposed taxation of such a punitive nature and so confiscatory in its effect that it was held to be taxation not imposed for the purpose of gathering revenue but aimed at compelling the chartered banks of Alberta to conform to Social Credit policy. I suggest to the minister, therefore, that we in this house have a responsibility to watch carefully to see what legislation is introduced. If it should be such that it has the effect of imposing sanctions of a punitive nature upon the type of chartered

bank which is dealt with in this legislation, then it will be the duty of the government to intervene actively and immediately. If the legislation is not of such a nature, then there is no necessity for us to do anything at all. I hope the minister will bear this in mind.

Before I sit down, Mr. Chairman, I wish to take exception to the failure of the government to deal in this bill with what are known as near banks. I do not accept, nor should any hon. member who has given any close study to the matter, the excuses being found for the minister. There are ways and means by which this could be done if the government and the minister would bend their energies to them. I want to make one suggestion about the way in which it can be done without in any way involving the government, the minister or his department in the supervision of these near banks, which apparently they do not wish to undertake.

The business of banking can be carefully delineated and defined at any particular period of time in our history. This is the effect of the decision of the Privy Council. Banking is not a static term; banking grows and expands with current economic conditions. Banking now includes a number of activities never contemplated by those who framed the British North America Act in 1867, and I have no doubt that 20, 30 or 40 years from now there will be other activities of banks which are not now contemplated but which will be included within the definition of banking. Banking is a term capable of precise and accurate definition.

• (2:40 p.m.)

It may be that the minister and the government do not wish to include in this legislation a definition of banks. But, sir, there is no reason at all that the government should not introduce into the legislation a section to provide that no person or corporation shall engage in the business of banking without first having secured a certificate from a suitable official of the government to be named. This would not involve a definition of the term "bank". It need not necessarily involve a definition of the term "banking", because the courts have defined banking and we know precisely what is included within that term.

However, Mr. Chairman, I can see some of the practical difficulties involved. It may well be that the government does not wish to prohibit the activities of individuals and corporations now engaged in certain aspects of banking, who may feel they are entitled to do so, in that they have no opportunity to change and to alter the economic picture of this country. Therefore I suggest that we include within the legislative enactment a section to the effect that no punitive steps should be taken by the government either to prosecute or to enjoin an institution of this kind from carrying on the business of banking without first obtaining a fiat from the government to do so. This is a practice well known in the country and is applied in the case of many other enactments. For example, prosecutions under the Lord's Day Act cannot be launched without first securing a fiat from the attorney general of the province. Therefore, I suggest to the minister that he take a look at the suggestion that there be a blanket prohibition in respect of corporations. It may well be that the minister might feel inclined to qualify the type of corporation in question by appending to the prohibition some description as to the permitted amount of capital of a corporation or business activity in which it can engage. But there should be no difficulty at all about the government enjoining a corporation from carrying on the business of banking without first obtaining a certificate and attaching a supplementary provision that no proceedings be taken at any time, either to prohibit or to punish, without a fiat first being secured from the government to do so.

The difficulty is, that if nothing is done more and more corporations are going to involve themselves in some of the characteristic activities of banks, and they are securing vested rights to do so. It may well be that four years, six years or ten years from now another government may come to the conclusion that it is essential to bring in under the umbrella all institutions engaging in such business in this country. But this will be very difficult to do having in mind the interests that these institutions have acquired and which new institutions will continue to acquire between now and the expiration of ten years when the next decennial revision will take place.

I suggest to the minister that by an enactment of this kind he would be making it quite plain that the government is not abdicating or abandoning its legislative responsibility, a responsibility which is given to it by the British North America Act. The government would in effect be saying that it recognizes this, and by such an enactment it would be providing that we could if we saw fit, step into the picture if we came to the conclusion that any institution, though not a chartered bank but being one of those described in the

schedule, was so conducting its activities that in our opinion limitations should be placed upon it.

Mr. Sharp: Would the hon. gentleman permit a question?

Mr. Baldwin: Of course.

Mr. Sharp: I have listened with great interest to his comments upon what is unquestionably a very difficult problem, one with respect to which, I would remind the hon. member, I have made it clear the government has not made any decision in the negative. However, would the hon. gentleman not agree that it would be much more suitable to have separate legislation dealing with what he has called the near banks rather than attempt to apply to those institutions the provisions of the present Bank Act?

Mr. Baldwin: Let me make this comment, Mr. Chairman. This might be equally as good a method of dealing with the question if I were assured and felt reasonably certain that the matter would not be pigeonholed and left for another ten years. If the minister is in a position to give an undertaking that steps to deal with this problem are in fact in the contemplation of the government and that the matter might be better handled by separate legislation, I would accept that undertaking. This is a suggestion which I offer to the minister for his consideration. It deals with what I agree with him is a difficult and knotty problem, one which will not yield easily to solution at the present time but which will be even more difficult to solve ten years from now. I give the minister full credit for his intentions, Mr. Chairman. Unfortunately ministers change, governments change and advisers change, and I would hate to see this situation continue for a further period of ten years because it might then result in a solidifying by limitation of time, say, of the position of the near banks. The longer the situation is perpetuated the more difficult it will be to deal with.

It is for this reason that I make this suggestion. I believe it is one that is quite feasible. I am sure the minister will make further contributions when intervening in this debate and I shall be glad to hear his comments, not with respect to the amendments to this act but with respect to what are his intentions for the future. I would be quite happy if I were to hear him concede, on behalf of the government that this is a difficult problem but that the government intends to deal with it by introducing legislation. If the minister will do this I will give him full credit for it.

Mr. Herridge: Mr. Chairman, it was not my intention to speak further on this clause, though I may have a few remarks to make on some amendments which this party will introduce. However, as a simple old farmer I want to make a few comments with respect to the work of the committee and to make some reference to another matter that was brought to the attention of the house by a question asked by the minister.

Mr. Sharp: You may be a farmer but you are not old or simple.

Mr. Herridge: I wish to join with the hon. member for Nanaimo-Cowichan-The Islands in his congratulations to the committee for their work, and to agree with his comment that he considered that this house owed the chairman a debt of gratitude for his activities in connection with the committee. I have been a member of this house for nearly 22 years but never have I heard a member of our party pay such a tribute, deliver such a eulogy and speak in such glowing terms of a chairman of a committee who sits on the government side of the house. All I can say is that this clearly indicates that the hon. gentleman earned those well deserved congratulations from the hon. member for Nanaimo-Cowichan-The Islands.

• (2:50 p.m.)

With all the work one has to do it is almost impossible to keep up with the reading of the reports of the standing committees. All one can do really is to glance through them and get the highlights. But there is no doubt about it that this committee as a whole has laboured long and hard in attending its 79 sessions and preparing its report. I notice, Mr. Chairman, and I have gone through the names of the members of the committee, that not one of them has a degree in economics. Nevertheless their work and their report are evidence that ordinary laymen of this house, when dealing with this most complicated topic, are capable of dealing with it competently. I am bound to recognize their industry and ability in coping with these complex questions, regardless of how simple on occasion one thinks those questions are. Going through the list of members I noticed that on the committee there were 11 lawyers, eight businessmen, one professional engineer, one chartered accountant, one teacher, one druggist and one industrial worker. For a short period I think two farmers were on the committee in connection

with some problems brought to the committee's attention.

My only criticism of the committee, and I hope the minister will recognize this as a well meant suggestion, is that unfortunately only one of its members actually represented the working class of Canada. Only one member of the committee was an industrial worker. The chairman of the committee was a member of the legal profession and I pay tribute to his work.

Mr. Gray: Mr. Chairman, perhaps if I ask the hon. member a question I could clear this matter up. I thank the hon. member for his kind comments. I ask him if he does not agree that because of my professional background I represent to the best of my ability tens of thousands of industrial workers?

Mr. Herridge: I fully recognize that, Mr. Chairman, but the hon. member represents industrial workers with his head. He does not expend physical effort in the production of goods, and that is the difference.

In passing I want to make reference to the 1964 report of the royal commission on banking and finance to which the government apparently gave no consideration prior to the reference of this bill to the committee. In common with other members of this party who have spoken I can support some recommendations contained in the report; others I would question very vigorously. I have gone through the report fairly thoroughly, though not as thoroughly as I would wish, and I see it is the work of some very competent people who held many hearings. It is based on evidence presented by a wide variety of witnesses representing various segments of the community. I consider that was an appropriate time for the government, when the act was being referred to the committee, to give some lead with respect to policy in relation to finance.

I do not wish to take up the time of the committee to speak at any length. I do wish, however, to make reference to a question asked by the Minister of Finance of the hon. member for Nanaimo-Cowichan-The Islands during the time the hon. member was speaking on the bill. I mention this because I am of the opinion that the hon. member somewhat misunderstood my approach to the question of banking. On page 14044 of *Hansard* for March 15 we find these words:

> Mr. Sharp: Mr. Chairman, may I ask the hon. gentleman a question? I am wondering whether he is joining his colleague from Kootenay West in supporting the views of the members of the Social Credit party about the expansion of money through the ownership of a government bank?

The hon. member for Nanaimo-Cowichan-The Islands replied as follows:

> Mr. Cameron (Nanaimo-Cowichan-The Islands): No, Mr. Chairman, I am not doing so at all because I do not suffer from this other form of doctrinairianism which is only slightly to be distinguished from that of the minister. Both are equally unreasoning, equally based on religious faith and equally lacking in any logical foundation.

I must say that as an Anglican that rather raised my eyebrows. I repeat again that I am quite sure the hon. member misunderstood some of my remarks. Possibly they were not phrased in as polished English as he is accustomed to using in this house, but I have to do the best I can with what talents the Almighty has given me. I must emphasize that I was placing before the house policies that have been endorsed by this party over a long period of years which we consider sound for the provision of the capital for social investment required by federal, provincial, and municipal governments. Those efforts are recognized by the minister to the extent that the Bank of Canada now practises to a limited degree what members of our party have urged throughout the years should be the policy of the government.

I also wish to refer to the suggestion that those who advocate certain financial policies always do so with religious faith and fervour. At this point I must emphasize that hundreds of thousands of people in Canada, with logical, religious fervour, have joined or supported our movement in the belief that it offered the best opportunity in a democratic society to give expression to the principles of the Christian ethic through parliamentary action. I want to emphasize that, and I want to recognize the work and faith of those people who have joined our movement because, fundamentally, they were Christian socialists. I am confident that the reverend gentleman who is the leader of our group and the reverend member for Winnipeg North Centre will bear witness to that fact. They have had long experience in our movement and with the motives of many people for joining it and supporting it in various elections.

I have risen to pay my tribute to the chairman of the committee and to its members, to make certain that my position is fully understood in this house, and to correct the record. I must explain that I rose to speak more in sorrow than in anger. I trust the matter is concluded at this point. We may have a few

words to say later when various amendments to certain clauses are moved by members of our party.

Mr. Pascoe: Mr. Chairman, I wish to make a few remarks on clause 2. I shall deal specifically with definitions in clause 2. I shall not repeat statements of other speakers about possible defects or shortcomings in the bill. I wish to deal with the definitions contained in paragraph (a), "agricultural equipment", paragraph (b) "agricultural implements", paragraph (g), "crops growing or produced upon the farm", paragraph (h), "farm" and paragraph (j), the definition of "farmer". As other speakers have said, Bill C-222 will make it possible for banks to expand their lending program with respect to farm property and chattel mortgages.

• (3:00 p.m.)

In speaking on these definitions I want to express my concern about the danger that perhaps the government may end its lending under the Farm Improvement Loans Act. This act has been a great help to the farmers by providing government guaranteed bank loans at a maximum interest rate of 5 per cent. To emphasize the importance of this scheme, generally called the F.I.L.A. program, I would refer to the latest statement issued by the Department of Finance with regard to lending operations under this scheme. Between July 1 and September 30, 1966, no fewer than 27,233 loans were made for a total of $71,415,392. As I say, the government guarantees these loans by the chartered banks and a farmer can receive up to $15,000 for farm improvements and the purchase of implements at a maximum interest rate of 5 per cent. Since the act came into effect, 1,325,464 loans have been made to farmers representing a total of $1,905,085,785. In Saskatchewan alone during the same period from July 1 to September 30, 1966, loans amounting to $23,377,000 were made for the purchase of agricultural implements, more than $1.5 million for the construction of farm buildings, half a million dollars for other construction and so on, bringing the total to $25,205,047 in this brief period. During the same period last year the total was roughly $24,842,000.

All hon. members are interested in these farm improvement loans but members who represent farming areas are particularly interested and we want to make certain that the expansion of lending by the banks to farmers under this bill will not result in the government withdrawing from this program of guaranteed loans at 5 per cent. I am speaking very briefly because I think we all want to get on with this bill.

Paragraph (g) in the definitions refers to crops growing or produced upon the farm. If I am correct, this would apply to farm-stored grain and it appears that Bill C-222 would allow the banks to make loans on grain in the farmers' bins. The Diefenbaker government brought in legislation—

Mr. Roxburgh: What government was that?

Mr. Pascoe: It was a good government, the very best. It was the best that ever was as I will show in a minute. The Diefenbaker government introduced legislation making available interest free cash advances against farm stored grain. It did this when it came to office and found that under Liberal policies a huge supply of wheat had been stored on the farms. The Liberals had given no indication of ability to get rid of the wheat so one of the new government's first moves was to bring in a measure providing for interest free cash advances on grain stored on the farms.

Mr. Roxburgh: I thought that government was known as the Progressive Conservative government. I did not know it was known as the Diefenbaker government.

Mr. Pascoe: Mr. Diefenbaker was the prime minister. We are very proud he was prime minister and we hope that he will again be prime minister.

An hon. Member: No applause at all.

Mr. Pascoe: The Liberal government of those days was, as I say, either unable to take action to market this wheat or did not see fit to do so. I will admit that under our policies the present government has been able to move this wheat in the last few years. Wheat has been moving fairly well in the past few years. But there could be a period—let us hope it will not come about—when under a Liberal government wheat would again pile up on the farms, and we want to make sure that the legislation to provide interest free cash loans on farm stored grain is still effective.

These are the main questions which concern me. I wish to emphasize my hope that in Bill C-222—some call it bill "two-twenty-two" because there may be headaches in it—the government is not providing itself with an escape hatch whereby it can drop or curtail the two programs I have mentioned, the Farm Improvement Loans Act with interest at 5 per

cent and the provision for interest free cash advances to farmers who are not able to sell their grain and must let it pile up on their farms. I shall probably refer to these matters again when they come up for discussion later.

[*Translation*]

Mr. Dionne: Mr. Chairman, I am of the opinion that the bill now under study, which includes clauses on the whole Canadian banking system, deserves serious attention. I do not deny that it was studied at length by the committee. Still, because of the effects of the Canadian monetary system on the life of the people, I feel it is quite in order to dwell specifically, while studying that system, on practical suggestions intended to improve that system, in view of the part it plays in the Canadian population.

• (3:10 p.m.)

We often hear this: in the final analysis, money rules. As we are now discussing a bill on the Canadian banking system, as the debate deals with our monetary system, I shall mention certain causes of the difficulties we now experience in Canada due to the disastrous effects of the present system. I shall then submit, with the best of intentions, suggestions which I think are practical and which, at least in my opinion, are based on common sense and logic.

Any serious observer will admit that the present financial system does not ensure to each and every one a large enough share of the goods of nature and industry. Consequently, it behoves the government responsible for the commonweal to make the necessary changes or corrections, for the simple reason that systems are made for man and not man for the systems.

One realizes that modern production capacity is practically unlimited, both with regard to volume and variety. Our main concern stems from the difficulties involved in distribution methods. Since nowadays the easiest way to exchange commodities is money, inasmuch as a person has enough money, the causes of the money shortage must necessarily be sought, if we really want to solve the problem of poverty.

It is useless to accumulate studies and conferences on poverty; one would have to be blind in order not to see that a great many people live on a scant income and lack the bare minimum and especially the money required to buy the commodities displayed everywhere in stores, but that they are unable to buy for want of money.

[Mr. Pascoe.]

Therefore, the true war against poverty must be directed against the money controlling system. Is there anything more obvious?

Since when can a war be won by directing the attack off the target? In 1914-18, as well as in 1939-45, the Allies wanted to win the war, and they took the necessary means. First, they needed money: they ordered the money system to supply the necessary amounts and there was no lack of money. Furthermore, they organized the army and had the necessary equipment made. Had they been satisfied to consider the situation and to call conferences, they would have certainly lost the war.

The war on poverty will not be won by studies and conferences. And the poor will still be faced with hardship through such means. Therefore, other means are required.

The amendments which will have to be brought to the Canadian banking system, will have to be flexible enough in their terms so that the necessary funds may be used at the appropriate time in order to reduce if not suppress poverty in Canada.

If the income of those who are already short of money is taxed, the problem of poverty, will not be solved, it will become more acute. One does not have to be an economist to understand that.

An article entitled:

Will Ottawa start taxing dedication?

—appeared in the newspaper *L'Action* of Quebec on March 7, 1967.

That suggestion was made with regard to the part played by Caisses populaires Desjardins and the new Quebec co-operative movement.

As far as the poverty situation in Canada is concerned, the Créditistes are not the ones who describe it. May I quote an article published in the newspaper *Le Droit*, on November 10, 1964, under the heading "The plague of indigence". It said:

Robert Louis Stevenson once wrote: "The greatest shortcoming of our civilization and the best proof of its failure is that a man able and willing to work should find it impossible to do so."

At the recent convention of the Ontario Labour Federation, *Le Droit* expressed to this body its concern over the extent reached by the cancer of poverty. The question must be brought up again following the report just published by this association, a document that gives a living and finely detailed picture of the sorry situation of human misery in Ontario and in Canada.

The want of necessities of life is classified under three categories: 1. Deprivation; 2. Poverty; 3. Indigence. In Canada, nearly 2,500,000 people—more

than 13 per cent of the population—live in indigence; more than four million citizens or 22 per cent are acquainted with poverty or indigence and finally, 6,500,000—35 per cent—suffer deprivation, poverty or indigence. In Ontario, 700,000 people—11 per cent—live in indigence; 1,000,000—19 per cent—live in poverty or indigence; and 2,000,000—32 per cent—live in one of the three categories.

At this time, the Minister of Finance is seeking by all possible means to extract money from the pockets of the taxpayers in order to pay the interest and the debts which the present financial system requires him to assume, and yet he dares to claim that he can win the war his government claims to have declared on poverty. I am quite willing to recognize the people's right to be imaginative, but when this happens to the man who is supposed to manage the finances of the country, I think this is something to worry about and the population is suffering as a result.

I do not believe that advising people to read the book written by the predecessor of the present Minister of Finance is the answer to Canada's financial problem, for both of them contributed to bringing about the situation I described a while ago.

The effects of this debt-making system are being felt at all levels of government: provincial, municipal and school. Everywhere debts are getting larger and larger. The representatives of those four levels of government seek by all the means available to get as much as possible out of the taxpayer's pockets, and the supreme leader of that colossal taxation mechanism says: We make war against poverty. I am sure this is a type of war to increase the number of the poor; it is impossible to arrive at practical results with an upside-down system.

Yet, there are means to envisage a logical solution, with simpler methods. Unfortunately, our politicians seek complications; with lots of means at their disposal, they multiply difficulties, to show how flexible an imagination they have, undoubtedly. However, we find ourselves with all kinds of problems: hardships, poverty, strikes, bankruptcies, robberies, crimes, unemployment. And our governments keep kneeling down before financiers, the masters of this inconceivable situation where we have a rich country and poor people.

By observing this state of affairs and the disastrous consequences thereof, we could give an honest try at finding, first of all, one of the causes of the economic confusion in which we are struggling, and I suggest that we would find at least some partial solution to many problems.

I refer to the difference there must be between public capital and private capital. Here, most of the problems related to school, municipal, provincial and federal taxes come up, because they represent a very large proportion of the public funds.

• (3:20 p.m.)

In our modern society, one realizes that our governments, of various shades but of the same basic colour, seem unaware of the difference between private and public capital.

Yet it is easy to understand that private capital like labour should bring its own reward and that that reward is called interest as a salary is the reward of labour.

Labour produces things, goods or services which earn a salary that allows the worker who produces those things or services to live from the product of his work.

It is obvious that the worker who produces things or services is entitled to a salary. Governments even have the responsibility to keep an eye on labour legislation to make sure that workers get a just salary for the work they do.

As for capital, the money owned by an individual is private capital and if that capital is loaned to an individual or a business, its owner is entitled to get interest for the very good reason that by lending that money he has enabled someone to do business, to produce things or services and he has allowed that business to make a profit on its goods or services. It is with that profit that a business can and must pay interest, out of the profit resulting from the production of goods and services.

Therefore, private capital can and must get its salary, just like labour.

But public capital is something else again. Public capital is, for instance, the capital used to build sidewalks, streets, schools, roads, bridges, waterworks, sewers, etc.. In short, all that which can serve the general public and does not bring any profit to anyone in particular.

Under a sensible system, private capital would not be invested in public works nor would public capital be invested in private enterprises. A well balanced economy would ensure that private capital is invested in private enterprises and, on the other hand, that the public capital needed for various public developments is put at the service of public bodies.

Now, why must our governments borrow money and pay interest for capital serving public projects which bring a profit to no one?

How can a non-profitable public enterprise pay interest if it makes no profit? To pay interest, profits must be made, because if an enterprise is not profitable and has to pay interest, debts automatically pile up.

Under the present system, governments borrow money and pay high interests to build schools, roads, bridges, sidewalks, etc. This is nonsense.

What should be done then? That is what some people ask but Créditistes have been saying for more than 20 years that the federal government, through the Bank of Canada, should put at the disposal of provincial governments, municipalities and school boards the money needed by those public bodies so that they may get the required capital at a reasonable rate of interest, that is about 1 to 1¼ per cent, to be able to undertake public capital enterprises.

Why is it, for instance, that a city in need of sidewalks has to borrow at a high rate of interest to finance these works, sell municipal bonds, pay brokerage costs, to obtain private capital coming from individuals, when such an investment is for public use? In borrowing private capital from individuals to invest in the public sector, the municipality is automatically reducing the benefits which private enterprise could draw from that private capital invested in public works.

Why could a municipality, a city, for example, which needs, say, $100,000 to build sidewalks, not borrow the amount from the Bank of Canada, at an administrative cost, as I said, of 1 or 1¼ per cent to finance the project, the loan being repaid through municipal taxes collected on the basis of the annual depreciation of the sidewalks? If a municipality spent, for instance, $100,000 to build sidewalks, one year, and if the sidewalks were good for 20 years, the citizens of that municipality, according to engineers, should pay $5,000 in taxes to reimburse the borrowed capital. Should the sidewalks depreciate at the rate of 5 per cent per year, there is no reason why the citizens of that municipality should pay back more that 5 per cent per year on the borrowed capital. Over 20 years, the citizens of that municipality would have paid for the sidewalks and would not have had to pay two, three and even four times their value, and still owe the entire original capital, as is the case under the present system.

If it is admitted that an amount of $100,000 invested in the building of sidewalks in 1964 can cost, in 20 years, $250,000, why have the citizens of a municipality pay $250,000 when the value of the sidewalks built only represents $100,000? It is a simple rule of arithmetic. Why force people to pay two and a half times, in interest alone, what they have received just once? If, in 1964, under this system, a municipality had improved its services by building, at a cost of $100,000, sidewalks it needed and was in a position to build because it had the necessary manpower and building materials, why should this municipality undertake to pay over 20 years $250,000 in interest alone, that is two and a half times the value of the sidewalks, that is the original outlay? This example can be applied to any public construction of buildings, roads or bridges, in short, to everything that serves the public.

The Créditistes suggest that the Bank of Canada should advance to the municipality the money to build the sidewalks; by doing so, the citizens of that municipality would repay the Bank of Canada according to the depreciation or the wear of the sidewalks. That is what Social Credit really is. To put money into circulation when wealth is being built, and to withdraw it from circulation when that wealth has been destroyed by the wear and depreciation of sidewalks, bridges, and roads.

Mr. Latulippe: No inflation.

Mr. Dionne: Mr. Chairman, those who are used to repeat what they hear instead of seeking a practical solution will probably see inflation in this. One has to put money into circulation in order to construct sidewalks, roads, bridges or public buildings, and one must draw money out of circulation according to the extent of the depreciation. So, what is physically feasible will be financially possible.

The building of sidewalks or all expenditures as public capital do not bring profit to anybody, inasmuch as they do not benefit anybody in particular. Since everybody benefits from public works, why is it that the public has no financing system to avoid stealing from itself, or to prevent itself from being robbed; in other words, a system under which the public will not have to pay three or four times the actual value. Thus, a mile long sewage system built in 1964 does not grow to three miles in a period of 20 years, that is, by 1984. Then why should we disburse on finance three times as much as we actually received, 20 years from now? Why should we, in 20 years, pay $1 million for a school which only cost $300,000 when it was built? Is it because financiers want us to spend 75 per cent of our lives working for

them? We build a school worth $300,000 and pay the financing agents for more than two schools, one for us, two for them; one mile of sidewalk for us, and two for them; one waterworks system for us, and two for them. Municipalities spend 40 to 70 per cent of their budget on the interests to the financing companies. They are growing fatter every day, and the people are growing skinnier every day. The cancer of finance is consuming the people.

Mr. Latulippe: That is why we are being taxed by the Minister of Finance and Receiver General (Mr. Sharp).

Mr. Dionne: We paid $28 million as interest for the Jacques-Cartier bridge, even though the construction only amounted to $21 million. We have already spent more that the actual cost of the bridge on finance and we are still in debt. But we only built a bridge for ourselves. How many Jacques-Cartier bridges will we pay to them? Only the future will tell.

Our financial system at present is the cancer of our public bodies, because we failed to draw a distinction between private investments, which are productive, and must bring a profit, and public investments, which are non productive and do not bring any profits, but remain a public service.

Social Credit would use credit for the benefit of society by giving money to public bodies so as to allow them to carry out public works. In this way, public organizations would not have to charge our citizens interests two, three or four times the cost of public works.

Debts and taxes are increasing continuously. This is only the result of our financial cancer.

At present, municipalities and school boards are struggling with constantly increasing loads of debts. Canadian citizens have to pay taxes of all kinds to maintain the three governments, federal, provincial and municipal, and the school boards besides. How do you expect them to free themselves from their poverty? The federal government must direct its war on poverty towards the real target. In this way, every Canadian citizen will be able to see that it really takes measures to get out of this ridiculous social order under which our people suffer great hardships amidst plenty.

• (3:30 p.m.)

[*English*]

Mr. Gray: Mr. Chairman, it had not originally been my intention to speak at length at this stage of the debate. I thought I might make some remarks on various clauses as they came before the committee. But I have concluded that I certainly would be remiss if I did not respond, at least in a limited way, to the very kind comments that have come from both sides of the house with respect to my efforts as chairman of the standing committee on finance. I wish to say to the committee of the whole that, to whatever extent my efforts may have been considered successful, this was due entirely to the courtesy and co-operation I received from members of the committee representing all parties in the house and others who participated in the work of the committee as well. I should add that the success of our work was due also in large part to the co-operation of our expert staff, the officials of the government and the staff of the committee itself.

I think the efforts of the finance committee have helped demonstrate the value to parliament of an effective system of permanent standing committees, and I hope that the efforts of the members of that committee with respect to this piece of legislation and other matters on which we have had the opportunity to work will provide some inspiration for further development of the committee system in the very near future, a development which I am sure will be to the benefit of this wonderful institution of parliament and therefore to the entire country.

[*Translation*]

Mr. Chairman, I should also point out that in the committee on finance, trade and economic affairs, the contribution of the French speaking members was important. I wish to insist on this because it is interesting, I believe, to witness the part played by the members of the province of Quebec, by the French speaking members, in the study of a question not only of interest for the province of Quebec itself, but also of vital importance for the country as a whole. Mr. Chairman, I think that the work carried on by French speaking and English speaking members is a valuable example, for parliament and the country as well, of what can be accomplished to serve national interest through such co-operation.

[*English*]

As I said, Mr. Chairman, it had not been my intention to comment at length at this stage on the contents of the bill now before the committee of the whole for study. Certain other hon. members, in particular the hon. member for Labelle, have put before us the contents of the bill, the changes made in committee and in general the details of the bill which we are to study at this stage and on third reading. However, I think I should say that in my opinion at least the bill makes important strides toward providing the Canadian people with a better banking system, a better financial system aimed at providing a wider range of services at a reasonable cost. To a large extent this is done by providing opportunities for an extended range of services to the existing and newly chartered banks which are soon to begin operation. I think we should not hesitate, as has been recommended by the standing committee, to examine possibilities for change or improvement before the next ten-year revision if the operation of the provisions we are now considering seems to indicate the need for further modification, addition or change in the interests of the Canadian people.

I would also say that in my opinion at least the work of the committee and its hearings have demonstrated the importance of making sure that the control of this vital segment of the economy remains in Canadian hands so that in this open, highly competitive, interdependent, western, technological world Canada will be able to bargain and negotiate from a position of strength, a position which in my opinion can come only when a sector of the economy such as the banking and financial segment, with which we are concerned at this time, remains as far as possible basically within Canadian hands and under Canadian control. In this way decisions with respect to our economy can continue to be made to the maximum extent and can be made increasingly by people whose lives are linked, as are the lives of the members of this house, with the present and future destiny of our country. This is not an inward-looking approach but rather one designed to permit Canada to obtain the best possible deal for its people today and in the future in the competitive world around us.

In conclusion let me once again thank the members of this house and of the committee who have had certain kind words to say with regard to my work as chairman of the committee. I would again say that to the extent that these words are justified they reflect the co-operation and courtesy I received at all times from the members of the committee and others who participated in its work.

Some hon. Members: Hear, hear.

• (3:40 p.m.)

[*Translation*]

Mr. Godin: Mr. Chairman, I am happy to avail myself of the consideration of Bill C-222 to second the hon. member who emphasized yesterday the great ability of the Minister of Finance (Mr. Sharp).

Once again, yesterday, the minister showed that he was worthy of his office in remaining silent when a question was put to him by my neighbour the hon. member for Lotbinière (Mr. Choquette). That silence proved that the minister is always better at taking than giving.

The public is not always aware of the ability of its public men but high finance can size a man in no time. Big financiers know what to expect of certain politicians, and to make sure they lead by a length in a race such as an election, they are not afraid of staking large amounts of money on those from whom they can expect gratitude and unlimited devotion.

If we analyse the expenses during the election held in the fall of 1965, it is obvious that the Minister of Finance was one of the financiers' favourites. For the benefit of the Canadian people, I take the liberty of quoting a few figures from the report on campaign expenses handed to us by the chief electoral officer.

In the case of the hon. member for Cochrane (Mr. Habel), for example, an honest and experienced member who sat for 13 years in the Ontario legislature and who is now in his 13th year here, the financiers spent $4,400.

For that genial man with the perpetual smile, for the diplomat, the Nobel prize winner, for I refer to the Prime Minister (Mr. Pearson), the financiers spent $12,300.

For the election of the member who was to introduce Bill No. C-222, the report shows the unbelievable amount of $32,200. That amount of $32,200, for one month of electoral campaigning, represents $1,000 a day and is equal to the income of the majority of Quebec farmers during 25 years.

Such figures are not only meaningful but alarming and it is such amounts which, in binding key men to the administration, will turn them into public collectors.

One must recognize that the champion of Canadian collectors is before us today; he is none other than the Minister of Finance. I can imagine that the financiers will take advantage of centennary year to stress the event. Will the presentation of the trophy take place in private or will the public be invited? Such are the questions that the taxpayers may ask themselves, such are the questions that remain unanswered.

For the banks' benefit, all levels of government have become all-powerful collecting agencies.

Unfortunately, the mayors of our small municipalities and the heads of our school boards are carrying out their duties reluctantly, but the machinery is compelling them to do so. But as concerns the federal and provincial governments, collection has become the most interesting subject, the reward being an annual picnic called a federal-provincial conference on taxation.

For the banks' benefit, there is a summit conference taking place every year, where nobody ever talks about getting capital at a cheap rate.

There is never any talk of asking bankers to lower their interest rates. The guests at this meeting ponder over which of the two governments, federal or provincial, will be the first to take the most out of the taxpayers' pockets.

And every year the ritual is the same. The situation is never settled because a reason is needed to levy new taxes. And, rather than say that interest rates are too high, that credit has become too expensive, the federal government tells us: We are giving the provinces too much; that is why we have new taxes.

At the same time, or a few days later, the morning paper reports for instance that a Quebec government minister has said: Too bad but, as you know, the federal government did not grant us what I asked for; I am therefore forced to levy a new tax.

Mr. Chairman, the interests being charged by the creators of money and credit are too high. In my opinion, lure policies are being used to have this situation accepted by the public. To force the worker who wants to build a house to borrow at unreasonable rates, they give him a bonus which he must repay later through new taxes.

A bonus is also granted to the farmer to force him to borrow and tax increases make up for that bonus.

To promote industrial borrowing for the purchase of new machinery or for any business development, a bonus is offered the manufacturer, but this type of bonus is soon eaten up by the 50 per cent taxes on his profits.

Mr. Chairman, interest rates which are too high cause many bankruptcies. An excessive rate of interest is one of the reasons for the closing-down of many Canadian plants.

The capital created to serve has become a source of worry for the country, the provinces and all our public bodies and they all are doing poorly.

If one examines the financial statements of our Canadian cities, one will see that the interest on the public debt has become the main problem. The interest eats up 25 to 50 per cent, sometimes 60 per cent of their budgets.

And here I wish to support a statement made last December 20, 1966, in the newspaper *"Le Nouvelliste"* by a Trois-Rivières journalist, Mr. Sylvio St.-Amant. He said:

> The taxpayers of Trois-Rivières, just like their neighbours outside the St. Maurice region, will probably get a present after New Year's. In fact, our municipal legislators and administrators are juggling dangerously with figures these days and everything seems to indicate that to make ends meet they will have to increase taxes.
>
> Our administrators would no doubt like to put a stop to those runaway increases in expenditures. But there is not much they can do.
>
> The interest on the public debt alone, which will exceed $2 million this year, will eat up a quarter of the total budget.

And Mr. St-Amant said in closing:

> In any case, John Public has no choice. He must open his pocketbook which incidentally is beginning to look awfully thin. The lemon has been squeezed to the full; if one tries to get more out of it, it might burst.

Furthermore, in a city which will remain nameless 48 per cent of the budget is used for the interest on the debt, which means that the citizens will go without that much in services or the city will have to increase again its tax rates.

In the field of education, it is the same thing. School boards are forced to change their names to obtain capital. Because local school boards are overburdened with debts, regional school boards are being set up; they borrow under that new front but they send the bill to the local school boards.

The budget of the government is tangible evidence of the fact that interest is too high. A study of the recently tabled estimates reveals that an amount of $1,274,000,000 is

required for the servicing of the debt, out of which $295 million approximately which will go back into the pockets of the Canadian citizens who hold saving bonds. But nearly $1 billion will be kicked back to a group of financiers. One billion for a few men, while, in the fields of family allowances, millions of young Canadians, who represent tomorrow's labour force, have to share among themselves an amount as low as $614 million. And the government does not consider for one moment to free itself from that heavy burden.

• (3:50 p.m.)

In the Speech from the Throne which was read at the opening of 1966-67 session, which is written for our whole history, there is a statement which I take the liberty of quoting once more:

> Our country is enjoying an unprecedented period of prosperity and growth.

Then why bleed the economy with further taxation? Why did we not use our years of prosperity to get rid of the national debt? Not only is it out of the question but the interest bill is submitted to the public, which is not even in a position to know in which year it will get the last bills for that item.

The Minister of Finance and Receiver General, who should know how to count, does not even know where he is going with the administration of Canada. The minister, who is the first to exercise an influence on the salary of every Canadian, told us that he had no idea of the year in which debts will be fully paid.

Let me quote here an answer he gave me, as recorded in *Hansard* for March 13, 1967, to question No. 2485 I had put on the order paper:

> How many years will it take the government of Canada to reimburse the debts it has been accumulating since 1867?

There is the answer the Minister of Finance gave me:

> It is not possible to predict when economic circumstances would make it appropriate for fiscal policy to aim at achieving cash surpluses. It is, therefore, not possible to forecast whether or to what extent the government would consider it appropriate to reduce or eliminate all its outstanding debt.

Mr. Latulippe: Quite true.

Mr. Godin: At one end, our citizens are caught up with the municipalities and the school boards, and at the other, with the provincial and federal governments. They end up being hogtied, like sausages.

[Mr. Godin.]

When money is involved, even the impartiality of our courts can be questioned. I was reading the other day in a newspaper that a bandit who had the pleasure of robbing a bank of $10,000 was sent to jail for five years while another individual of the same character was condemned to two years in jail for the murder of the father of three children.

Another striking example is the R.C.M.P. Let us suppose a municipality requires the services of that police force to ensure its protection for a given period of time. In such a case, the federal government will send a bill to the village authorities, after an agreement with them. But when the financial system is involved, the whole federal police may work day and night to discover the counterfeiters, but the banks, which are the first to be protected, are never called upon to foot the bill. There again, the people pay.

In this Bill No. C-222, the question of removing the present ceiling of 10 per cent on the interest rate is brought up. Hon. members do not seem concerned because they are under the impression that the banks are not making any profits. But considering the annual reports of the banks, it will be noted that they have made enough profits to pay dividends of between 20 and 30 per cent on their shares.

If such profit were not sufficient with the present 10 per cent ceiling and if the ceiling is removed, where will the bankers' ambition stop? Those men who already enjoy privileges granted to them by previous governments, feel required to support their supporters. It is also true that gratitude has always been recognized as an important factor in the relationship between governments and financiers.

Nevertheless, I hope the Minister of Finance and Receiver General of Canada will admit that his supporters have had their share and that the time has come for the government to preserve the share of the Canadian voters.

Mr. Grégoire: Mr. Chairman, I do not intend to make a long speech on second reading of this bill. I expressed most of my views when the committee of the whole was considering the Bank of Canada Act. However, there have been new developments since then which, I think, further support what I said then.

Among other things, last night, the Quebec government brought down its budget for the 1967-68 fiscal year. It is to be noted that many taxes have been increased, namely the sales tax, which went up from 6 to 8 per cent, the meal tax and the hotel room tax. In short,

the wheel continues to turn and taxes go up. It was only about a month ago that the federal government increased its sales tax from 11 to 12 per cent. Yesterday, the Quebec government introduced a bill increasing the provincial sales tax from 6 to 8 per cent. Now—and this is how the matter is related to the act before us—the Quebec Finance Minister stated that "if we have to raise taxes, Ottawa is to blame, because it failed to understand the priority needs, the urgent needs of Quebec, and Ottawa refused to return to Quebec part of the taxation field". Now, we know that Quebec was asking for 100 per cent in the case of the corporation tax, the estate tax and the income tax. So we have reached a point today, in Canada, with these complicated monetary and taxation systems, beyond which we can hardly go.

I did a little figuring, Mr. Chairman, to find out just how burdensome were our taxes. I figured out how much an individual would have to pay for a new car the net cost of which would be $2,000. As soon as the car comes out of the production line, the 7 per cent federal excise tax on automobiles is slapped on, raising the price of the car by $340 to $2,340. Then, there are commissions and percentages going to retailers or middlemen amounting to about 5 per cent, which adds another $595 to bring the price of the car to $2,935. There is also the 12 per cent federal sales tax, in this case an amount of $352.20, hiking the price to $3,287.20. Then the 8 per cent provincial sales tax accounts for another $263.98, bringing the total price of the car from $2,000 to $3,550.

And then, the buyer might make a down payment of $550 on the car and finance the balance of $3,000 over a three-year period at a cost of $600. In other words, it will cost this individual $4,150 for a car which cost $2,000 when it came out of the plant. It is more than double its original cost.

The federal government collected $340 in taxes once and, another time, $352. The provincial government collected $264 in taxes, and the finance companies topped it off by collecting $600. That means that the car costs more than twice its original cost price.

Well, Mr. Chairman, when you see such examples as this, you realize there is something wrong with our banking system, with our monetary system, which should exist to serve the people and not to strangle them continually as is the case at the present time. And there is something wrong with our whole Canadian system, not only with our monetary system.

Yesterday, we saw in the Quebec speech from the throne that Quebec will have a supplementary family plan. The Quebec government has just decided to have its own family plan. I am not against that, far from it. But, in this case, it is wrong, because there already are family allowances coming from Ottawa, and now there will be other family allowances in Quebec. And then, you must organize a whole service of bureaucrats here in Ottawa, complete with data, filing cabinets, files, to prepare family allowance cheques; and you have to have a second service of bureaucrats, with filing cabinets and red tape, to prepare a second administrative service in the field of family allowances.

• (4:00 p.m.)

The cost of administration of the personnel required for sending out family allowance cheques to our young people is doubled. You have to pay once in Ottawa, and once in Quebec. Taxes will be levied by both governments. Ottawa will collect taxes for family allowances and Quebec will do the same. And we are going to pay taxes to Ottawa and Quebec, for that, we will have to pay the cost of a service to administer taxes in Ottawa, and another in Quebec.

We pay twice and when the time comes to redistribute the money through family allowances, for instance, then it will cost twice as much because there will be an administrative service in Quebec and another in Ottawa to compile all essential data to send family allowance cheques, when we could save a lot with one service only.

How much does it cost? Well, according to the estimates for the fiscal year ending on March 31, 1968, the Department of Finance pays $2,566,000 for stamps only to forward family allowance cheques. It costs Ottawa, $2,566,000 only for the stamps to send family allowance cheques. On the basis of the principle that costs would be about a third of that amount for Quebec, there will be another $850,000 pair only for stamps to send family allowance cheques there. Now, if there were only one service, stamps would be paid for only once. That is a huge amount of money for stamps only, but how much more does it cost for envelopes, paper, the cheques themselves, the staff needed to write those cheques, the records and all the rest, and the inquiries that have to be made? Government expenditures are enormous for a country like Canada where everything is done in duplicate, where we always pay twice. Let me tell

you that we are the only country in the world that can afford administrative expenses of that kind; the only country in the world where two administrative services are necessary to send family allowance cheques to the young.

Two groups of bureaucrats. Twice as many stamps, stationery and the rest. This costs much more, and we are the only country in the world that allows itself such a system.

Mr. Chairman, I say to the minister that it would be much simpler, in that case, to leave all taxation rights to the province of Quebec and to let Quebec deal with such fields as family allowances, old age security, etc.

And that is not all. Even yesterday, when he spoke about the estimates, the Quebec minister of finance declared that he would create a Quebec housing corporation. Inevitably, that new corporation will duplicate Central Mortgage and Housing Corporation, and we shall, once again, pay for two administrative services, two sets of bureaucrats. Our administration costs us much more than that of any country in the world because we have two levels of government.

Well, Mr. Chairman, because we indulge in the luxury of such an overheated administration, a much larger bureaucracy than that of any other country, for that very reason, we have to increase our taxes. The Quebec government did it only yesterday, by increasing its sales tax from 6 to 8 per cent; last month the federal government raised its own sales tax from 11 to 12 per cent. This means that during the year, or at least since the beginning of the year, the total sales tax increased from 17 per cent to 20 per cent, so that Quebec residents will have to pay an extra 3 per cent from now on.

And where is this going to be reflected? In a higher cost of living. A 3 per cent increase in the cost of living. And yet, some complain because Quebec workers ask for wage increases. They have no other choice, for the cost of living is increasing very fast because of taxes and as a result of taxes—the sales tax being now set at 20 per cent while two months ago the two together amounted to 17 per cent.

Mr. Chairman, in view of the situation I do not hesitate to say that there is one administration too many and that should Quebec have all its taxes, all its sources of income, there would only be one set of bureaucrats in this field.

If the rest of Canada wants a single taxation system set up by Ottawa, it is quite free to do so, but this shows once again with what is going on in Quebec, that the Canadian political system is far from being adequate and that to save the money being wasted at this time because of duplication and to give the citizens more for their tax money, there is only one solution: Quebec has to get rid of one of the two administrations, that is, unavoidably, the administration of Canada.

The day Quebec is the only one to collect and spend its revenues, the day Quebec is the only government charged with the administration of Quebec, having nothing to do with the government in Ottawa, then we in Quebec will save fantastic amounts of money which at present are spent uselessly for duplication.

A typical example of that is the supplementary family allowances which will be distributed by the province of Quebec and which will involve operation expenses already existing in Ottawa. We have another typical example of that with the Quebec housing corporation that the Quebec government intends to create. Well, since I have noticed that the province of Quebec is undertaking such duplication, I have reflected that there is only one solution left, that is, that the Quebec government get rid of the Ottawa government in order to save very considerable amounts of money.

Mr. Chairman, the system under which we are living requires, if we really want to act as qualified administrators, that we come to the conclusion I have reached and in which my faith has been steadily increasing, and the more so after the speech that was made in Quebec yesterday.

[*English*]

Clause agreed to.

Clause 4 agreed to.

On clause 6—*Duration of authority to carry on business.*

[*Translation*]

Mr. Latulippe: You are on clause 6, are you not? I have an amendment to move to clause 6. Things went so fast that perhaps I did not have time to rise. But I would like to move an amendment to clause 6, if we could revert to it.

• (4:10 p.m.)

Mr. Chairman, clause 6 reads as follows:

Subject to this Act,

(a) if parliament sits on at least twenty days during the month of June, 1976, the bank may carry on the business of banking until the first day of July, 1976, and no longer, and

(b) if parliament does not sit on at least twenty days during the month of June, 1976, the bank may carry on the business of banking until the sixtieth sitting day of parliament thereafter, and no longer.

Therefore, Mr. Chairman, we note that a period of ten years for the chartered banks as well as for that of the state is very long. We feel that in ten years a lot of things may happen. We feel that this period might be too long and we feel also that it would be to the advantage of the banks as well as the governments to shorten that ten-year period.

It is the duty of the government to take action at the proper time and according to circumstances to set up a better balance between factors, between the private banks and the government. It is obvious that, in times such as these, the two parties should have the opportunity to make the necessary changes and improvements, according to the times, the facts and the circumstances.

Now, Mr. Chairman, in ten years, many circumstances may intervene and this parliament does not have the right to amend the bank charters and the banks do not have the right to ask for improvements which would be helpful to them, while allowing them at the same time to render service to the population. This works both ways, and I believe we should shorten this period to five years.

So I wish to move an amendment to this effect, as it seems to me that a fixed period of five years would be a reasonable length of time during which none of the parties would have a right to bring about changes. Ten years is an extremely long time, things change rapidly nowadays, in this modern world of ours and people not only have to live at a neck-breaking pace, but they also must face new obligations, new ideas, new organizations or new problems. Therefore, the government should have a right to interfere and to carry out a revision of the Bank Act at least every fifth year, as I believe that five years from now, there will surely be improvements to bring about, in banking as well as in the government's regulations. This would help the government as well as the chartered banks, as banks must find it burdensome to abide by a ten-year agreement, to be tied down to regulations ten years running. In fact, if there are things that do not suit them, they have to overlook them, to accept them. Thus, we are depriving the people as well as the institutions of their rights. The government also should have certain rights even if financial institutions have rights and privileges to assert.

And now, Mr. Chairman, I shall move my amendment.

[*English*]

The Chairman: Is the committee ready for the question?

Amendment negatived: yeas, 2; nays, 45.

The Chairman: I declare the amendment lost.

[*Translation*]

Mr. Latulippe: On division, Mr. Chairman. There are only two of us, but we are not ashamed to do so, because we know we are doing our duty.

If we have arrived at clause 9, I have another amendment to move.

Some hon. Members: Hear, hear.

[*English*]

Mr. MacDonald (Prince): I rise on a point of order, Mr. Chairman. I have attempted to obtain a copy of the bill to follow this debate and no copies are available. I do not see how members of the house can discuss a bill when they do not have a copy to follow.

Mr. Pickersgill: Is there not a copy in the hon. gentleman's desk?

Mr. MacDonald (Prince): There is not. Could not more copies be found that we might follow this debate.

An hon. Member: Look in somebody else's desk.

The Chairman: It is my understanding that reprinted copies of this bill were distributed.

Mr. MacDonald (Prince): Normally copies of the bill are available from the table. At the present time I see no copies there.

Thank you. I have received a copy of the bill—in fact I have two copies now. I shall not hold up debate for the remaining 40 minutes, but I do hope that those responsible will make sure that extra copies are available on Monday.

The Chairman: Shall clause 6 carry?

Some hon. Members: Agreed.

On clause 9—*Capital stock and shares.*

[*Translation*]

Mr. Latulippe: Regarding clause 9, I shall quote it now. It reads as follows:

Subject to this act, the authorized capital stock of the bank shall not be less than $1 million and

shall be divided into shares each having a par value of $1 or any multiple thereof not exceeding $10.

Mr. Chairman, there are many, main arguments to that amendment, because the par value of $1 or a multiple thereof will not exceed $10. Mr. Chairman, it seems to me that in the interest of Canada and also of the banks concerned, we should maintain the status quo with regard to the par value of the shares of the chartered banks. That policy was implemented during the consideration of the Bank Act, in 1944; it has been maintained for 23 years, I claim it should continue to apply. The arguments put forward to give it a par value of one dollar are nonsense. I say they are trivial, illogical.

• (4:20 p.m.)

The ten dollar par value of bank shares should be kept; there should be uniformity amongst the banks; a statisfactory established order should be maintained. Reducing the par value to enable the small wage-earners, the small investor to buy them is defeated by the mere fact that no one buys shares on the market worth one cent, ten cents or even a dollar. When one bothers calling an investment broker, it is not for a few cents or even a dollar.

There is even an agreement between all investment brokers according to which shares of less than $25 each must be bought and sold in minimum lots of one hundred. This is stated on page 39 of the December 1966 issue of the monthly publication of the Montreal Stock Market.

At any rate, the commission asked by the brokers for any transaction cannot be less than $2. Only by accident are transactions made for less than $10, and there is no commission; special arrangements have been made for unusual circumstances.

And so, the argument whereby the par value should be reduced to $1 or $2 to help the small shareholder is ridiculous and covers other less commendable reasons.

If we want to avoid arguments in the house, or having to rectify situations which stem from more or less commendable reasons, in short if we want to avoid those changes, and even long arguments in the future, let us put an end to the suggestion that the par value of bank shares should be reduced.

Banks are not like the other companies listed on the stock market. They have always obtained special and exclusive privileges which the other companies could not get.

[Mr. Latulippe.]

There are well-founded reasons for that and they are still valid. That is why banks must always be treated in a more responsible way and protected from petty schemes at stock exchanges where it is easier to humbug people by multiplying shares, through the watering of capital by any means and to conceal the real corporate profits from a public that is not always able to understand the details.

Then, Mr. Chairman, it seems to me that hon. members should look into this clause with the seriousness it deserves. As a matter of fact, this advantage extended to the banks is not for the benefit of the people. Mr. Chairman, I think it is my duty to move another amendment to clause 9.

[*English*]

Amendment (Mr. Latulippe) negatived: yeas, 2; nays, 51.

The Chairman: Shall clause 9 carry?

Some hon. Members: On division.

Clause agreed to on division.

Clauses 10 to 12 inclusive agreed to.

On clause 13—*Commencing business.*

Mr. Lambert: I wish to make a few comments on clause 13. Subclause 2 illustrates the point I was making about the interpretation clause, clause 2, inasmuch as there is nothing to indicate what the business of banking is. Notwithstanding all his expertise and knowledge, the inspector general could not say when a bank commences business, except that it began when he had issued a certificate. That I think is placing the cart before the horse. This draws attention to the necessity for establishing what the business of banking is, in order that a clause such as clause 13 may become meaningful.

I am merely calling attention now to the arguments that I made in the committee and to those put forward in this chamber not only by myself but by some of my hon. friends. I will limit my comments at this time to these few words, but I think it is nonsense to have a clause of this nature when the interpretation clause does not tell us what is the business of banking which one is not supposed to commence.

Clause agreed to.

Clause 14 agreed to.

Clause 17 agreed to.

On clause 18—*Management.*

Mr. Lambert: Clause 18 deals with the qualifications and other characteristics of directors. I am particularly concerned about the introduction of the new subclause 7 and the limitation that no one who is a director of a banking corporation may, along with another director of a banking corporation represent more than 20 per cent of the directorate of any other corporation after July 1, 1971.

This matter was discussed during the committee hearings when it was explained that an attempt was being made to remove controls. I put it to the minister that this would impose a serious hardship on certain small corporations which might be closely held by a small group of shareholders. There might only be three directors. This forces two men who are on the board of one bank, and who may have a very successful and legitimate business operation going in a closely controlled private company, possibly of modest size, to divest themselves of their holdings because they would have to abandon their directorships. If there are only three directors in a corporation, even one bank director is too many if there is to be a limitation of 20 per cent. The only way one can get around it is to increase the number of directors in the corporation to five.

• (4:30 p.m.)

What can be done if there are only three shareholders? Does one go through the sham of setting up dummy shareholdings in order to qualify? I feel it is wrong that there should be very stringent general restriction on the participation by the directors of any corporate body in the board of directors of any bank. I have been told by a number of people that as matters stand now a number of directors of banks will have to divest themselves of holdings in certain organizations.

Mr. Lewis: Hear, hear.

Mr. Lambert: I have not got the sort of phobia that the hon. member for York South seems to have about the mere fact that there is corporate existence. Two directors of a bank could have a small operation in which there are only three shareholders, yet this particular provision would force them to divest themselves of that interest. It is quite legitimate, and there is no power play.

Although the date of July, 1971, is specified, I think the provision is quite wrong and I would ask the minister to find something much more equitable. I do not share his views on this matter and I am wondering whether this clause in part can trace its parentage to some of the views of the hon. member for Davenport. After all, the minister has indicated that a good deal of the thinking in connection with, and the preparation of, this bill were an expression of the philosophies of the hon. member for Davenport. If this clause is part of that philosophy then I part company with the minister even more, because I think it is totally wrong and quite unnecessary. I am quite opposed to it.

Mr. Sharp: Mr. Chairman, I can at least give one assurance and that is that the original idea, which we might have developed ourselves, was recommended by the Porter commission, but we did not follow that recommendation exactly because it seemed a little unworkable to us. Generally speaking, the Porter commission and the government are agreed it is desirable not only that our banking institutions should be competitive and independent from one another, but that so far as possible there should be an independent banking system, and also a banking system that does not dominate or have an undue influence on the affairs of other corporations. It is in that spirit that these amendments are made, and while there may be some difficulties involved I do not think they are of such a character as to interfere in any way with the development of a sound business system in this country.

Mr. Lambert: I am sure the minister will agree that if two or three men decide they are going to have a small investment company among themselves, and they control it as a completely private venture, this provision will force them to dispose of their interests or disband. Can the minister justify that?

Mr. Sharp: I doubt very much whether they would be required to disband. There might have to be a rather different board of directors, but their common interests could be represented by one director.

The Chairman: Shall clause 18 carry?

Mr. Lambert: On division.

Clause agreed to.

Clause 19 agreed to.

Clauses 25 and 26 agreed to.

Clause 28 agreed to.

On clause 29—*Report to directors.*

Mr. Lambert: Mr. Chairman I will admit that this has some reference to the original

section 60(1), but in essence it is a new clause. There is a point I did not note during the committee hearings, but I wonder how it can be ascertained under subclause (2)(b) that a borrower has committed an act of bankruptcy, because the commission of an act of bankruptcy has a retroactive effect.

If one looks at the Bankruptcy Act and the legal definition of an act of bankruptcy, how can a bank manager or any bank official determine that a customer has committed an act of bankruptcy? Legally under the act, an act of bankruptcy can be an undue preference for one creditor and can only be ascertained and identified within the terms of the Bankruptcy Act. If the borrower has committed bankruptcy or has been adjudged in bankruptcy, then I would agree with the minister; but I do not think a bank manager should be under a responsibility to make this report on a non-current loan on the basis of a borrower having committed an act of bankruptcy. I will admit it is an identifiable point if a customer has made an assignment for the benefit of his creditors, but the actual confirmation of the act of bankruptcy within the terms of the Bankruptcy Act is something that no bank official could identify.

Mr. Sharp: I am sure the hon. member realizes this clause is only for purposes of reporting. It does not have any other consequential effect. Moreover, the same provision has been in the law for some years and the inspector general of banks has not had any difficulty in this respect.

Mr. Lambert: What concerns me is that there is a mandatory or statutory requirement imposed upon the general manager to report on a non-current loan, and a non-current loan shall be one if a borrower has committed an act of bankruptcy. Perhaps I am being overly strict in the legal sense, but it is a legal imposition placed upon the general manager consequent upon a certain act. It is not for him to decide whether the loan is non-current, because the act says a loan is non-current if a certain event takes place. The general manager is not in a position to determine if that act has taken place. Perhaps the committee would agree to stand this clause until Monday to allow the inspector general to verify this particular point and to give the minister an opportunity to bring in an appropriate amendment to clear it up.

Mr. Sharp: Mr. Chairman, I hope the hon. gentleman would agree that if this were the only thing that held up the passage of the bill

[Mr. Lambert.]

today he would not press his point, but if it is not, then I am willing to have the clause stand for the time being.

Clause 29 stands.

Clause 31 agreed to.

On clause 32—*Increase of capital.*

Mr. Gray: Mr. Chairman, I would ask that this clause stand. An amendment to it will be offered later, when we come to another clause to which it is related.

Mr. Lewis: Could we have an idea of what the hon. member has in mind so that we may be able to think about it?

Mr. Gray: I have no objection to that. It will be recalled that the hon. member for Verdun yesterday gave the committee his views, and I quote him as follows as recorded at page 14107 of *Hansard*:

> What bothers me, and I say this directly to the minister, is that I am not certain in reading the bill that the governor in council necessarily has that right.

This was referring to the preceding part of his remarks.

> I suggest to the minister, and this might be implemented on the appropriate clause ... that we ensure that whenever a bank receives permission to increase its share capital, no individual, as defined in the act, be permitted to add to his shares so long as he or his group owns more than 10 per cent of a bank.

• (4:40 p.m.)

> I am not talking of a specific bank; I am talking of any bank; and more than one bank is in that particular situation. This would guarantee the carrying out of the minister's intention, as he has stated it on several occasions in the committee.

The hon. member for Verdun was referring to the standing committee. He is not present at this time, but I might say that if we should reach clause 53 subclause 4 today I would suggest an amendment. Perhaps the simplest thing would be to read it:

> That Bill C-222, An Act respecting Banks and Banking, be amended
>
> (a) by striking out lines 9 to 11, inclusive, on page 32 of the bill, as reprinted, and by substituting therefor the following: "thereof,
>
> (b) by any person if, at the time the share is subscribed for, the total number of shares of the capital stock of the bank held by such person and by other shareholders associated with him, if any, exceeds 10 per cent of the total number of the issued and outstanding shares of such stock; or
>
> (c) except as otherwise provided in subsection (5), in other circumstances where if the subscription";

(b) by striking out line 19 on page 32 of the bill, as reprinted, and by substituting therefor the following:

"(5) Subject to paragraphs (a) and (b) of subsection"

Of course, it is not easy to follow this just by listening to it. One would have to have the bill in front of him. The reason I ask that clause 33 stand is that if the suggested amendment to clause 53 should be adopted by the house it would be necessary to have an amendment to clause 33 (1) (d) which I might bring to the attention of the house at this time. The amendment will be as follows:

That Bill C-222, An Act respecting Banks and Banking, be amended by striking out line 44 on page 20 of the bill, as reprinted, and by substituting therefor the following:

"reason of paragraph (a) or (b) of subsection (4) of".

The effect of this would be to bring into clause 33 the necessary reference to clause 53 to which I have just referred. I realize it is not easy to explain clearly a complicated insertion of this type, but perhaps to some extent I have succeeded in getting the point across. As I have mentioned, the reason I have proposed that this clause stand is so that the committee would have an opportunity to consider the amendment to clause 53 which I have read. If I am present at the time we reach this clause I would be prepared to move the amendment. The amendment arises out of a suggestion put forward by the hon. member for Verdun, with which I associate myself.

Clause 33 stands.

Clauses 35, 36, and 39 and clauses 44 to 51 inclusive agreed to.

On clause 52—*Definitions. "Agent".*

Mr. Lambert: Mr. Chairman, we are starting a series of clauses which we should consider very carefully because they deal with the question of the limitations on non-residents, the definition of non-resident and the restrictions on any crown holdings of bank shares. I believe we should go slowly in order to understand precisely what we are doing. Actually I have some reservations about the pseudo-Canadianizing of banks by imposing restrictions on shareholders based on residence. On previous occasions when the hon. member for Davenport, the Minister without Portfolio, was perpetually putting forward propositions based upon residence and was talking about Canadianizing, I said I thought he should have the courage of his convictions. It is so easy to defeat any idea of Canadianizing or any idea of being Canadian when the requirement if merely one of residence, because we know there are very many people who establish residence in this country without their citizenship in any way being affected.

The fact that persons merely establish residence in this country means nothing, because they might be officials in charge of branch plants; there may be trust arrangements behind the holdings or any number of things whereby the actual fact that there is Canadian residence is completely meaningless. I would have thought that at this time if it were thought necessary that there be a requirement of Canadianizing—in other words, that they were going to institute this selfsame nationalistic philosophy—the government would have stated that the requirement should be on the basis of citizenship rather than residence.

I do not honestly advocate that. I do not think it is necessary. I do say however that if the government has such convictions, then let them show they have them. To me it is spurious to say that we are guaranteeing the Canadian nature of our banks as though there were a requirement with regard to the board of directors that at least three quarters shall be Canadian citizens ordinarily resident in Canada. If that is the philosophy of the government, then let it say so. That is the point I wished to make.

I agree that the directors of a bank should be Canadian citizens. I much prefer that to their being resident in Canada. Concerning ownership, if residence has to be established, there will be very great administrative problems for the banks themselves in administering the responsibility which is imposed upon them. I think there would be a tough shakedown in respect of the requirement; but I do not think it would be any more difficult for the banks to ascertain the citizenship of a shareholder than it would be to ascertain his residence. It is a question of providing the passport, if there is to be a requirement that someone be a Canadian. If this is the intention, then I believe the government should go all the way. It is meaningless merely to insist upon residence. Naturally this involves complicated requirements about associated shareholders, corporations and the corporate relationships so that individuals may not be able to defeat these requirements concerning residence by their participation in corporations. Anyone who reads pages 28, 29 and 30 in

clause 52 will certainly see that it is necessary to engage in extremely tortuous descriptions. It will be extremely difficult to determine how this is to be interpreted.

If the government really means what it says, then let it say that 75 per cent of the shareholders of Canadian banks shall be Canadians ordinarily resident in Canada—

• (4.50 p.m.)

Mr. Herridge: Well said.

Mr. Lambert: —if that is the government's philosophy in Canadianizing the banks. To come down to what I call this really spurious qualification of residence is, I think, going through an exercise in semantics which really is quite meaningless. The clause is there. I do not like it in so far as residence is concerned. When it comes to the question of any government agency owning shares in a bank, I am with the minister. I do not believe that any provincial government should directly own any of the voting stock of any bank. There is to my mind a case for, shall we say, certain investment funds on behalf of university foundations. I refer to universities which may be state operated, as we have in most of western Canada. There is a case there for certain funds to be invested in limited numbers of bank stocks, but the government agency or emanation should not have any voting privileges. That is as far I would be prepared to allow the participation of any right of Her Majesty in the commercial banks of the country. If it is the desire of the crown to participate in some form of banking or near banking, we have the example of the emanations of the treasury of the province of Alberta. I am not supporting that idea. There is the Industrial Development Bank, which really has become a senior partner in many operations. We will have an opportunity to discuss this aspect of the question on some other occasion. We are told that some of the banks have been charging high rates of interest. I can tell hon. members in private of some of the deals that have been insisted upon by the I.D.B., and we wonder who is getting that pound of flesh. However, Mr. Chairman, with these reservations as to clause 52 I think we can start the discussion on clauses 53, 57 and 58.

Mr. Cameron (Nanaimo-Cowichan-The Islands): Mr. Chairman, I should like to ask the indulgence of the committee to stand clauses 52 and 53. I had prepared an amendment to clause 53, but I realize that to effect my purpose it will be necessary to have an antecedent amendment to clause 52 and a subsequent amendment to clause 53. Therefore I would ask clauses 52 and 53 be allowed to stand.

The Chairman: Shall clause 52 stand?

Some hon. Members: Agreed.

The Chairman: Shall clause 53 stand?

Some hon. Members: Agreed.

Mr. Lambert: Mr. Chairman, I think it would be helpful if we stood clauses 52 to 57. They are part of a group, and we have immediately following clauses 58 and 59, which have already been accepted. We could deal with clause 60. We are only about three or four minutes away from the time when we shall be dealing with other business, in any event.

The Chairman: Is it agreed that clauses 52 to 57 inclusive stand?

Some hon. Members: Agreed.

Clauses 52 to 57 inclusive stand.

Clause 60 agreed to.

Clauses 63, 64 and 65 agreed to.

Clause 69 agreed to.

On clause 72—*Cash reserve.*

Mr. Lambert: Mr. Chairman, frankly, in connection with this clause I find myself at some inconvenience in that I would like to have proposed an amendment to clause 72. We have made such good progress that I do not have the amendment with me. However, I can give hon. members an indication of it. I have not, notwithstanding all the evidence that was put before the committee, seen the need demonstrated of increasing to 12 per cent the ratio of reserves against demand deposit liabilities. There was clear evidence given to the committee that the banks themselves feel that about 5 per cent is a very safe figure, and this is what they would normally carry. I refer to reserves against demand deposits.

I appreciate that the minister has established a distinction in this revision between demand deposits and deposits payable on notice, so that there is a proposed rate of 12 per cent against demand deposits and only 4 per cent against those payable after notice. There is, in addition, being included a statutory secondary reserve which will be at the disposal of the governor of the Bank of Canada for further action if he deems fit. At the present

time we know that there has been an unofficial secondary reserve.

I think there was a great deal of telling argument put forward on behalf of the banks that it was not necessary to include the statutory secondary reserve. I would like to have seen within the provisions of the statutory first line of reserves a flexibility which is applicable in the United States. I spoke to the minister privately about this the other day. We saw recently that the federal reserve board, in connection with term deposits payable after notice, reduced the rate from 4 per cent to 3 per cent in two stages—that is, from 4 per cent to 3½ per cent, and from 3½ per cent to 3 per cent—in order to ease certain credit limitations that have been in force in the United States.

I would have thought the minister should have considered this provision to be applicable with regard to the Canadian banking system. The flexibility that is used at the present time is to place more money into circulation, but this invariably affects the price of bonds and the interest rate on government securities.

• (5:00 p.m.)

I am not too sure that this effect is what we are striving for. In other words I should like to see the Minister of Finance provide the governor of the Bank of Canada with an alternative tool for money control. I am not suggesting that unfettered power should be given the governor of the Bank of Canada and I think he would consult the minister in this regard. Instead of saying that it will always be 4 per cent and that all that can be done under these circumstances is that the first line of reserves against deposits payable on notice shall always be 4 per cent, the governor of the Bank of Canada could increase the reserve requirements. However, there can be no flexibility beyond the reserve requirements except through the ceiling of the monetary supply. I do not think that this would necessarily have all the beneficial effects which we would want.

I should like to see the minister consider —perhaps he has, and if so I shall listen carefully to his reply—the wisdom or otherwise of giving the governor of the Bank of Canada the right to vary downwards the percentage of the reserve requirements as against both the demand and the term deposits.

These are the two questions which I should like the minister to answer. I notice it is now five o'clock, Mr. Chairman.

The Chairman: It being five o'clock, shall I rise, report progress and request leave to sit again later this day or at the next sitting of the house?

Some hon. Members: Later today.

Progress reported.

BUSINESS OF THE HOUSE

Mr. Sharp: Mr. Speaker, I wonder whether the house would be willing to set aside the private members hour and proceed with the business that was interrupted at five o'clock? There is a good deal of urgency about this bill, as the house knows, and in view of the progress we are making I hope that favourable consideration will be given to my request.

Mr. Lambert: I am sorry, Mr. Speaker, but I think there is equal urgency in considering certain private members bills. We did not have a private members hour last Thursday and lately the time allotted to private members bills has been disregarded. We have made very good progress with the bank bill and I think we should leave it at that.

Mr. McIlraith: There seems to be some misunderstanding. There has been extensive consultation, and I think the hon. member is biased when he implies that this is not so. I wonder whether the proposal to continue could be considered.

Mr. Lambert: No, Mr. Speaker.

Mr. McIlraith: I hope this will not cause embarrassment to the hon. member, but hon. members who wished to take part in the debate on private members bills have been consulted and appeared to be quite satisfied with the request that we continue the consideration of the bank bill.

Mr. Lambert: In view of the fact that the Minister of Public Works knew that the conduct of business, so far as this bill was concerned, was in my hands this afternoon he could have consulted me in this regard. We have made very good progress, and after having offered last night to pass some 70 odd clauses en bloc we have now reached the core of the bill. I cannot agree to the suggestion that we continue debate on the bill after five o'clock on a Friday afternoon when many hon. members are absent.

Mr. McIlraith: Mr. Speaker, I should like to correct an impression which may be left on the record from what the hon. member from

Edmonton West has said. I think it is quite unfair to leave in *Hansard* the inference that there has been a lack of care from this side of the house in the consultation carried out. I think the hon. member will agree with me that we encounter certain difficulties in knowing who represents their party and we try our very best to meet them in an obliging and fair manner so as to carry out such consultations as thoroughly as possible. However, it is impossible to consult each member of the party and to reach a unanimous decision. I think the hon. member would agree that this is true in any party.

Mr. Lambert: Mr. Speaker, I cannot take this sort of nonsense from the Minister of Public Works. There was plenty of opportunity for consultation both yesterday and the day before. The minister knew where to find me, particularly when he thought I was going to offer some assistance in passing certain clauses of the bill. I have been here without interruption since we have started consideration of this bill, and the minister knew where to find me.

Mr. McIlraith: I am sorry, but I did not feel obliged to consult with individual members of the party. I tried to do my best to consult with those concerned, and they were agreeable. In any event, would the hon. member consider taking item 140 on the order paper, the second reading of the income tax bill?

Mr. Sharp: No, Mr. Speaker, we are not ready to deal with it now.

Mr. Lewis: Mr. Speaker, this is an important bill. If I remember correctly it deals with the removal of the 5 per cent refundable tax. I hope the minister is not trying to slip it in at this time.

Mr. McIlraith: In any event I understand the Minister of Finance is not ready to deal with it now.

Mr. Lewis: Nor are we.

Mr. Deputy Speaker: During the consideration of Bill No. C-222 a question was raised with regard to additional copies of the reprinted bill. Is there agreement to the printing of an additional 200 copies in English and 100 copies in French?

Some hon. Members: Agreed.

Mr. Deputy Speaker: The house will now proceed to consideration of private members business as listed on today's order paper, namely public bills and private bills.

Mr. McNulty: Mr. Speaker, may we have the consent of the house to stand orders Nos. 1 to 8 inclusive and to go ahead with No. 9 on the order paper which is Bill No. C-37 under the name of the hon. member for Winnipeg North Centre (Mr. Knowles).

Mr. Deputy Speaker: Does the house agree to standing orders Nos. 1 to 8 inclusive and proceeding with the consideration of No. 9?

Some hon. Members: Agreed.

• (5:10 p.m.)

CANADA LABOUR (STANDARDS) CODE AMENDMENT

PROVISION FOR THREE WEEKS ANNUAL VACATION

Mr. Stanley Knowles (Winnipeg North Centre) moved the second reading of Bill No. C-37, to amend the Canada Labour (Standards) Code (three weeks annual vacation after three years).

He said: Mr. Speaker, I suppose my first word should be one of appreciation to the hon. member for Edmonton West (Mr. Lambert) for making it possible for me to present this bill for second reading at this time. We were prepared to stay with the government item for the remainder of the day, but now that we are in private members hour, I have this privilege of presenting for second reading Bill No. C-37 entitled, an act to amend the Canada Labour (Standards) Code (three weeks annual vacation after three years).

Sometimes, Mr. Speaker, bills are presented to this house the titles of which create a certain amount of mystery, but that is not the case with this bill. So far as this bill is concerned, the whole principle is set out in the title itself.

We now have the Canada Labour (Standards) Code in which there is provision for two weeks annual vacation with pay after one year for all workers who come under federal labour jurisdiction. This includes persons who work in banking, transportation, communications and various other kinds of occupations set out in the British North America Act. It took a long while to get the labour code. It took a long while to get the provision for annual vacations with pay; but I suggest that already the length of the vacation in the course of a year that is granted by the

Canada Labour (Standards) Code is much shorter than it should be.

This is often referred to as an age of progress, affluence and a few other things. We believe that one of the ways in which this age should express itself is by providing more leisure time for our workers. During the course of this week we have been spending most of our time on the banking legislation. In many of the speeches that have been made during this debate it has been suggested that there are various indirect ways, such as control of the monetary and fiscal policies of this country, in which to bring benefits to our people. This is fine; but there are also direct ways of bringing benefits. One of those direct ways is to provide legislation setting out clearly the rights to which our workers are entitled. This bill seeks to do something directly.

We are glad that at long last we have the principle established that workers are entitled in each year to annual vacations with pay. We think the time has come, in the case at least of employees who have spent three years with the same employer, for this to be not less than three weeks each year. When we get this bill into committee of the whole, as I hope we will do, one slight change will be necessary. The reason the change has to be made is similar to the reason changes have had to be made in a number of bills this session, namely, that it has been on the order paper a long time. First reading of Bill No. C-37 was given on January 24, 1966, early in the present session. Therefore because the bill was introduced and given first reading last January, the effective date of the legislation as set out in clause 3 of the bill is indicated as January 1, 1967. This date having passed, obviously it will be necessary, when we get into committee of the whole, to change the effective date, probably to January 1, 1968.

However, I hope that the house generally will accept the principle of this bill, and that we will be able to go into committee of the whole on it very shortly and proceed with this useful piece of legislation under which we would guarantee to all workers who come under the jurisdiction of the federal parliament and who have worked for three years for the same employer at least three weeks vacation each year with pay. I commend this bill to the house.

[*Translation*]

Mr. Guy LeBlanc (Rimouski): Mr. Speaker, I am pleased to be able to express my humble opinion in this house on this Bill No. C-37 calling for three weeks annual vacation after three years with the same employer.

May I congratulate the hon. member for Winnipeg North Centre (Mr. Knowles) for his initiative. He also shows perseverance, for this is not the first time he brings a bill setting forth a similar principle.

My personal reaction to a three-week leave with pay after three years for employees in industries under federal jurisdiction was to welcome that proposal. It is obvious that, with technological developments and automation affecting us more and more in this twentieth century, it will be necessary to give more thought to organizing the leisure time of all Canadian citizens.

It is obvious that a prolonged vacation is always useful; in fact, it is increasingly useful, considering the rapid changes affecting us. It is useful for the health of our employees, for the preservation of family spirit; it permits our fellow-citizens to have more spare time to look after their training, so as to reach a level of education higher than the ordinary labour skill required in the industrial field, in arts and other similar activities.

However, when I thought of expressing my views on this bill, I believe at first, I had to study a little more thoroughly the question of an annual vacation for our labour force. I also thought that by referring to the principles of the Canada Labour Code, the labour standards, to the principle of determining acceptable standards and minimums for our average industries, throughout Canada, that the time had probably not come yet for the necessary efforts to be made in order to determine through legislation, a minimum period of three weeks vacation with pay.

I can see, as the hon. member for Winnipeg North Centre pointed out a while ago, that the principle of this bill is very clear and very easily understandable. Mention is made in the title itself of a three weeks annual vacation with pay after three years in the service of the same employer.

All the same, the Canada Labour Code that has just been enacted by the house represents a great step forward with respect to this bill, as far as holidays are concerned. Before its adoption, holidays lasted a week only. Then, we got two weeks with pay after one year employment with the same employer.

Moreover, I think it is worth noting that in addition to those two weeks, the labour code states that employers must give their employees seven holidays with pay, seven legal holidays a year.

I read seven days in the speech of the then Minister of Labour, but in another report, I found that it is now eight days.

[*English*]

Mr. Knowles: I should like to ask the hon. member a question.

[*Translation*]

Mr. LeBlanc (Rimouski): Could I have a minute please?

• (5:20 p.m.)

[*English*]

Mr. Knowles: Perhaps the hon. member would not mind my reminding him that in committee on that bill the figure was amended to provide for eight. It was seven when the bill was brought in but it ended up at eight.

Mr. Côté (Longueuil): That is what he said.

[*Translation*]

Mr. LeBlanc (Rimouski): That is quite all right. Mr. Speaker, I thank the hon. member for his remark and I confess that I noticed today, in a report, that eight days were mentioned. Then, let us say two weeks of leave, plus eight days of paid holidays, eight legal holidays.

I noted, as I said earlier, that the hon. member introduced a similar bill in 1965; in fact, first reading of it took place in April 1965.

In 1964, the same hon. member moved a bill in which he suggested that three weeks of annual leave be granted after five years of employment with the same employer.

I noticed, on reading the debate of that time, that those who objected to the bill, such as, for instance, the hon. member for Halifax, mentioned that the government was about to introduce its Labour Code which was since passed since 1965. He stressed also the principle which I put forward earlier, that the Labour Code must set minimum standards, and he emphasized the necessity of studying that question in greater detail because it is quite complicated and in view of the effects that such legislation might have on the industry.

On the other hand, the hon. member for Villeneuve (Mr. Caouette) did mention at the time that the consumer would again have to foot the bill, because when businessmen merchants are compelled to raise salaries and provide facilities for their staff, it is a known fact that, in the last instance, it is always the consumer who pays the bill. He also mentioned the financial difficulties that would result from the immediate setting up of such holidays, as well as those this measure would bring to bear on the small industries and businessmen.

Therefore, I think that the standards introduced in Bill C-37 in respect of three-week holidays after three years of employment, is much in advance of the current practice carried out in industries under the jurisdiction of the federal government and in the industry on the whole.

In 1964, a review appearing in a publication of the Labour Department on the labour conditions in Canadian industries under the jurisdiction of the federal government, among office employees, showed that 12 per cent of them only had a vacation of three weeks within ten years of employment, that is, that they worked for concerns who granted a three-week vacation to employees with less than 10 years of service.

And for all the employees, including the office workers as well as the others, a study was conducted on a total of over 2½ million employees, with the result that 15 per cent only of these employees were granted a three-week holiday when they had less than 10 years of service.

A three-week vacation after relatively short periods of service is more frequent among office workers. It is quite obvious that most enterprises which grant three weeks or more to senior employees after several years of service, after a long period of service, require that the duration of the service exceeds considerably the period of three years.

I think that these facts should be taken into consideration. Only specific data about the present industrial policy can serve as a sound basis for legislation.

As regards the vacations allowed by the provinces, we can see that in Saskatchewan the policy is to give two weeks after one year of employment, and three weeks after five years.

In three provinces, that is Manitoba, Alberta and British Columbia, it is two weeks after one year of employment. In four other provinces—Nova Scotia, Quebec, Ontario and New Brunswick—the minimum is one week. Two provinces, Newfoundland and Prince Edward Island, have no legislation in this respect.

As I said a moment ago, the Canada Labour Code has improved the situation that existed at the time, when it was a one-week vacation;

now it is two weeks, in addition to the legal holidays that must be granted and paid to the employees.

In my opinion, this is a substantial improvement for a great number of workers.

A proposal like the one put forward by the hon. member for Winnipeg North Centre in Bill C-37 and which would bring an important increase in the standards pertaining to annual vacations could hardly be seriously considered at this moment. The Labour Code having been passed by the government just some time ago, so to speak, it does not seem to me that things have changed fast enough in industry as a whole to justify such a proposal at this time.

The survey that the International Labour Organization sponsored in 1964, in industry as a whole shows a trend toward extending the vacation period in quite a number of industries.

In my view, an annual vacation of three weeks is an objective for the future but could not be realized now. Meanwhile, it would be normal to leave to collective bargaining, to private enterprises, the task of extending the annual vacation according to the period of continuous employment, because the philosophy of the legislation, I repeat, is to provide for minimum standards in order to protect the small employees who cannot benefit from the unions or collective bargaining. We must see to it that, in the industries under federal jurisdiction in Canada, no one has less than a two-week vacation each year. As to the other industries, the matter must be decided by way of negotiations between the employees and the employers; in certain cases, consequently, longer holidays—even more than three weeks a year, could be granted.

We ought to ask ourselves to what extent legislators should go when establishing minimum standards concerning working conditions, without interfering with collective bargaining. I also think that it has always been the policy of the government—at least when the Liberal party is in power—to protect and encourage as much as possible private initiative and to respect our standing within private enterprise.

Where the labour market is sufficiently stable to allow an employee to accumulate many years of service with the same employer, it seems that there is nothing to prevent a union organization from being effective and having a strong collective agreement.

Besides, I took the opportunity to get in touch with some of my constituents who look after labour relations within the trade unions, to give them my views on this subject and ask them their own opinions. According to my little inquiry, it is better, after the act has set minimums, to let the unions act as they see fit and to give collective baragining a chance to play its part.

This does not mean that we do not keep an eye on working conditions. On the contrary, I think that if we look at the policies of this government during the last few years or even during the last session, to begin with, the program it outlined in the Speech from the Throne which set forth many plans to improve the working conditions and the status of all Canadian workers, we find that the present government takes an interest in the welfare of the Canadian worker. Moreover, since then, various measures were introduced by the government, several of which were passed, and always in order to improve the standing of our labour force. And I am especially referring here to the different pieces of legislation that were passed concerning the labour force; indirectly or directly, they are all measures intended to help the people constituting the labour market in this country.

• (5:30 p.m.)

And, if I consider my area, the people I am most acquainted with, I think we should rather try, for the time being, to provide for sound economic health and, in order to do this, provide work for the labour force by developing new industries and reorganizing the structure of our economy.

In closing, I insist on this principle: To legislate in such a way as to set down minimum standards. I feel that if we consider the whole of the methods applied generally in Canadian industry, two weeks is quite an acceptable minimum since hardly two years ago the minimum was one week; so it has doubled.

I believe the government is acting wisely in this legislation for the time being, and when the need is felt and the general attitude of industry indicates that two weeks are, in fact, below a reasonable minimum, we can then set another minimum longer than the two week period.

Respect of private enterprise. The government must preserve the rights of man, of the individual, of the worker, through minimums, at the proper time. On the other hand the initiative of private industry must also be preserved, for when longer holidays are really necessary, private industry, the employers by agreement with the employees through the

unions and labour agreements, can extend the two-week period according to requirements.

Such are some of the reasons why I felt, while taking into consideration the necessity of watching over the leasure time of our industrial workers that such a measure should be left to private industry, to labour agreements and not become at this point, the subject matter of an act of parliament.

[*English*]

Mr. Knowles: Would the hon. member permit a question? Do I understand this to be the position, that the law requiring two weeks holidays with pay does not interfere with free collective bargaining, but that a law requiring three weeks would interfere?

[*Translation*]

Mr. LeBlanc (Rimouski): Mr. Speaker, I do not know if I made myself clear but what I meant to say once again is that the government provides a minimum of two weeks to protect the small employee who cannot join a labour union and is thus unprotected. The government sets up a minimum so as not to unbalance its economy and leaves private enterprise free. When I speak of private enterprise, I mean the employer as well as the employees who can discuss things together. I mean that through collective agreements, they can provide for the vacation periods which they feel can be granted to the employees. The initiative is left to the employers and the employees and I think that that is in the spirit of the labour code. I think it was in that spirit that the labour code was passed by the house not very long ago.

[*English*]

Mr. David MacDonald (Prince): Mr. Speaker, I rise to speak with the intention of taking only a minute or two, realizing that other members wish to express themselves on this worth-while legislation before us. I must admit that in the first instance I hoped this legislation would also apply to members of parliament. It would be nice if we could be assured of at least a three-week holiday in which to recuperate from the vicissitudes and involvements in this place and others.

I must say also that I cannot go along with the comments of the hon. member for Rimouski, who suggested that the time is not yet ripe for making an advance with this kind of legislation, and that we ought to ensure that there are minimum standards for vacation time, particularly for those people in the labouring sector who very likely need holidays more than any other people.

All of us, whether we sit in this place or not, are aware that there are increasing pressures today on family life, that society is developing to a state in which it is not possible much of the time for members of families to be together because of vocational commitments and commitments beyond one's vocational life. If is almost true to say that in many instances members of families do not know each other well. They do not enjoy the day to day contact which is needed for a strong family life.

• (5:40 p.m.)

It is also true that the pressures of the business world are such that it is often impossible for people to get the kind of recreation which is needed week by week to allow them to restore themselves and carry on their chosen endeavours. I think it is necessary today for people to have much longer than the two weeks normally accepted as the minimum standard. I think it is true to say also that those who belong to the professional classes and who have reached some degree of independence in the business world no longer worry about these things. It is common enough for professional people in many walks of life to take vacations extending as long as two months. They feel they need this and that it is justified. I know of doctors, I know of lawyers, and I even know of some of my colleagues in the ministry who make sure they spend two months each year on vacation.

Here we are talking about people who are not self-employed, people who are often not members of a professional group, and who are allowed, in most cases, two weeks as a minimum. I think it is important that amendments be made to the labour code setting the minimum standard so as to provide for at least three weeks. While it may not be possible to take action this afternoon in this regard, I do hope this question will be given serious consideration by the government.

In confirming my support for this bill I wish, however, to put forward a word of caution. I believe that increasingly we shall be facing a problem of which this bill gives only an inkling—the redefinition of the meaning of work and of leisure. I have heard social scientists make confident predictions that by the end of this century the normal vacation period will be eight weeks. Some of us will relish the thought of reaching that date, if indeed we do. As the affluent society becomes more and more productive it will no longer be necessary for people to continue to work as hard as they have done in previous years.

Indeed it might be harmful to the economy were they to do so. This means longer periods of leisure for all of us, and greater opportunities for vacations.

One might think that everyone would be pleased with such a prospect, but in a number of instances such is not the case. Indeed many people today who have found themselves with increasing leisure have reacted by seeking other employment. The word moonlighting has come into our vocabulary to describe this activity. It seems to me we have schooled ourselves so well to work that we have not yet learned how to use leisure creatively. We have developed people with neuroses about the fact that they are not allowed to work as hard or as long as they once were.

I hope that in the next generation or so serious thought will be given by social scientists, people concerned with labour codes and so on, to the effects on man of having his work load diminished and replaced by longer periods of leisure. Surely our leisure time must not be spent huddled in front of a television set with a can of beer. Yet this is the picture which will increasingly be true of many Canadians if we cannot adduce other possibilities which are more interesting in terms of human development and interaction.

In asking for a minimum standard of three weeks we are asking for opportunity; but we are also endangering the sanity of many who have not yet learned how to handle leisure creatively. Our problem stems from the fact that the notion of work, according to our concepts, is primarily tied to the making of money and not to participating in some creative act. If we can make the transition in our generation from work being related to money to work being related to creative output, something exciting will happen in our society. If not, I am afraid we shall become a very depressing, work-orientated, unhappy society which has little hope before it, even if this period is extended to three weeks.

Mr. J. A. Byrne (Parliamentary Secretary to Minister of Transport): The hon. member for Winnipeg North Centre (Mr. Knowles) and I are two of the members of this house who have spoken most frequently on measures such as this over the years during which we have faced one another across this chamber. I wish to congratulate the hon. member for Rimouski (Mr. LeBlanc) for his sincere and forthright contribution, and the hon. member for Prince (Mr. MacDonald) for the new element which he has introduced into the debate.

I suppose I should congratulate the hon. member for Winnipeg North Centre (Mr. Knowles) for introducing this bill, or at any rate for reintroducing it; but he would hardly expect me to congratulate him on his address this afternoon since I have probably heard it so many times before that congratulations would really be superfluous.

The hon. member has told us it will be necessary for him to introduce an amendment which would have the effect of changing the date of application referred to in the bill. Since he so regularly introduces bills of this nature, and since a year has already gone by, I presume there would have to be two amendments, and that the second amendment would seek to extend this period to four weeks instead of three, thus carrying on a progression for which the hon. member is noted.

Mr. Knowles: Would the parliamentary secretary like to move that as an amendment? If he would, I would support it.

Mr. Byrne: I had not actually intended moving such an amendment this afternoon. Realizing that the hon. gentleman has lost an opportunity this year; I would not wish to deprive him of the right to introduce an amendment next session when I expect we shall be debating this measure again.

• (5:50 p.m.)

As the hon. member has told us, this is a simple bill and the title explains its purpose. However, he has not explained to us that the implementation of measures such as this is not quite as simple when it comes to the various industries concerned. We have only to recall that the Canada Labour (Standards) Code cannot yet be completely effective because of certain regulations brought in that were inconsistent with practice, and it was just impossible to implement them when the bill was declared operative. The hon. member for Prince (Mr. MacDonald) has said that professionals find it necessary to have a month or two holiday every year and that those of us who work with our hands are entitled to more than two weeks holiday each year. I am familiar with a group of small businessmen in my own riding who have not had a vacation in several years. The pressure of meeting labour costs and providing holidays with pay to their employees have made it impractical for them to take a holiday.

Having regard to the chill in the House of Commons, or at least in the centre block, for the past two days, it is possible that the entire

staff of the heating plant is on vacation. I only hope that in the future their time off will be scheduled a little better, so that members sitting in their offices and in this chamber will not catch colds, which require some sick benefit time. This is one of the difficulties that arise from bringing in legislation without too much thought. The same applies to speeches made without too much thought.

Mr. Knowles: Such as the one we are getting now.

Mr. Byrne: I was not referring to any other speech maker. The hon. member always does an excellent job tearing mine apart. If we are to assess legislation of this nature we should review what has been done in the past by the federal government and the provinces. By law, annual vacations with pay in industries subject to federal jurisdiction have been provided since 1958. The first federal statute required employers falling within its scope to grant employees a paid week's vacation after one year of employment, and two weeks after two years of service. Hon. members will recall that act was replaced by Part III of the celebrated Canada Labour (Standards) Code.

The Labour (Standards) Code provides for vacations with pay of at least two weeks after every completed year of employment, and vacation pay is 4 per cent of wages for the year in which an employee establishes his claim to vacation. Under the federal law a year of employment must be continuous with one employer, and may be a 12 month period commencing with the day the employee began to work or any subsequent anniversary of that date. It may be a calendar year or any other year approved by the Minister of Labour.

All the provinces, with the exception of Newfoundland and Prince Edward Island, have annual vacation laws. We can appreciate why P.E.I. does not have such law because it is predominantly an agricultural province, while in Newfoundland the labour unions have not been as well organized and have not had the time in which to mature that they have had in other provinces. Provisions for annual vacations with pay are contained in the Alberta labour act and in orders under the Ontario hours of work act, and in Quebec under minimum wage orders Nos. 3, 7 and 39. They are also governed by the Quebec collective agreements act.

The Canada Labour (Standards) Code applies to industries within federal jurisdiction, and the only employees excluded are engineers, superintendents and others who exercise management functions, as well as members of the medical, dental, architectural and legal professions. The provincial laws govern employees in employment within the jurisdiction of the provinces, with the exception of certain classes of employees who are otherwise noted.

In all provinces farm workers are excluded. Horticultural workers are excluded in British Columbia, and workers employed in the growing of flowers, fruit and vegetables in Ontario. Market garden workers are excluded in Manitoba and Saskatchewan. Employees of municipal and school corporations in Quebec are excluded, and members of family undertakings in Saskatchewan. Salesmen are excluded in Alberta, Ontario and Saskatchewan, but in Quebec their exclusion is limited to those with less than the three months work, and those who work for two or more employers at the same time.

Exemptions are necessary in all provinces, and if this house were to provide blanket legislation it would create a problem for industry, particularly industries operating on a very close margin.

Mr. Knowles: Question.

Mr. Deputy Speaker: Order. The hour for the consideration of private members business has expired.

At six o'clock the house adjourned, without question put, pursuant to standing order.

HOUSE OF COMMONS

Monday, March 20, 1967

The house met at 2.30 p.m.

PROCEDURE

First and second reports of special committee on procedure of the house—Mr. MacEachen.

[*Note: Text of the foregoing report appears in today's Votes and Proceedings.*]

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

RECLASSIFICATION OF CIVIL SERVANTS

Question No. 1,828—**Mr. Isabelle:**

1. How many civil servants have had their positions "red circled"?

2. How many civil servants have had their positions "green circled"?

3. Up to what salary level has such reclassification been made?

4. How many persons earning (a) more than $8,000 annually (b) $6,000 to $8,000 (c) under $6,000, have been so reclassified?

Hon. Judy V. LaMarsh (Secretary of State): I have been given the following information by the Public Service Commission:

1 and 2. The most accurate figures available on February 1, 1967 showed 3,600 civil servants in the administrative support category, and 1,300 in the administrative and foreign service category whose positions were red circled.

There are no statistics on the number of green circled positions, but as of conversion it was estimated that 9,900 positions in the administrative support category and 8,200 in the administrative and foreign service category would be green circled.

3. The top salary level in the administrative support category has a maximum salary of $9,472 per annum and in the administrative and foreign service category $20,802.

4. Information according to this breakdown is not available.

23033—895

C.B.C. STATIONS NOT RECEIVING LIVE TELEVISION SERVICE

Question No. 2,406—**Mr. Howard:**

1. How many C.B.C. owned and affiliated television stations are still not receiving live network service and what is the name of each such station and the community within which each is located?

2. What (a) population (b) viewing audience, is served by each such station?

3. Does any assessment exist of the cost of bringing live television to these stations, and what is that assessed cost in each case?

4. Do any priorities exist for bringing live television to these stations and, if so, what is the schedule of such priorities?

Hon. Judy V. LaMarsh (Secretary of State): I am informed by the C.B.C. as follows:

1. CFTK-TV, Terrace; CBWFT, Winnipeg; CBWBT, Flin Flon/The Pas; CHGH-TV, Churchill; CFLA-TV, Goose Bay; CJCL-TV, Labrador city; CFKL-TV, Schefferville.

2. Estimated population within the A and B service area: CBWFT (French) 50,000 (French mother tongue only); CBWBT, 26,600; CFLA-TV, 8,400. Figures for the remaining, privately owned stations would be available from the stations concerned.

3. Cost of extending live microwave service varies according to the mileage, geographical area and network supplier involved. While the corporation has estimated approximate costs, these figures are not normally made public because of the competitive factor involved.

4. Arrangements have been completed to extend service by microwave to CBWBT, Flin Flon/The Pas, and are being completed for extension of service of CFTK-TV Terrace, B.C. Estimated costs for the use of microwave for the remaining areas under (1) where feasible, are prohibitive to a point where satellite transmission may provide the only practical method of introducing live television. This too, will depend on satellite and associated costs which cannot yet be estimated. Meanwhile these areas are receiving quite comprehensive service through television recordings at up to one fifth the estimated cost of microwave service.

Questions

*PRINTED LISTS OF HOUSEHOLDERS IN CONSTITUENCIES

Question No. 2,561—**Mr. Racine:**

1. How many issues of the list of householders are printed every year in each electoral district?

2. How many copies are made available to each member of parliament?

3. What procedure should a member adopt in order to obtain this or these lists?

4. If a member requires additional copies, to whom should he make his request, and what is the unit cost?

5. May a member obtain, free of charge, the list of householders for a federal electoral district other than the one which he represents, and what is the unit rate?

[*Translation*]

Hon. Jean-Pierre Côté (Postmaster General): 1. One. Quantities per issue vary for each electoral district from a minimum of 38 copies to a maximum of 174 copies, or an average of 71 copies per electoral district during 1966.

2. Each member may receive one free copy of the householder directory for any electoral district.

3. Write or telephone the Superintendent, Purchasing and Stores Division, Post Office Department, Confederation Heights, Ottawa 8, Ontario, naming the directory required.

4. Write the Superintendent, Purchasing and Stores Division, Post Office Department, and enclose payment at the rate of $2.00 per copy, plus the provincial sales tax applicable for the province in which the directories are to be delivered.

5. Yes. One copy of each directory may be obtained by a member free of charge. Additional copies of any directory are available at $2.00 per copy, plus the provincial sales tax applicable for the province in which the directories are to be delivered.

[*English*]

ASSISTANCE FOR PRESERVATION OF TOTEM POLES

Question No. 2,577—**Mr. Prittie:**

1. Has the Skeena totem pole restoration committee of Hazelton, British Columbia, requested assistance of the Department of Indian Affairs and Northern Development in the restoration and preservation of totem poles in the villages of Kispiox, Kitseguecla, Kitanmax, Kitwancool and Kitwanga?

2. If the answer to part 1 is yes, what was the reply of the department?

Hon. Arthur Laing (Minister of Indian Affairs and Northern Development): 1. Yes.

[Miss LaMarsh.]

2. The Skeena totem pole restoration society received a grant of $1,000 from the Indian affairs branch on April 15, 1965. A similar grant was made to the society on October 14, 1966. In addition, during April and May, 1965 the branch made it possible for the society, at its request, to obtain the services of a supervising carpenter to work on totem pole restoration.

ASSISTANCE TO FOUND BROS. AVIATION LTD.

Question No. 2,618—**Mr. Winkler:**

1. Has the Department of Industry entered into an agreement with the aircraft manufacturing company of Found Bros. Aviation Ltd. whereby financial assistance in the form of a grant or otherwise is being given to this company for aircraft development?

2. What is the amount of federal funds involved?

3. What is the nature of the project concerned and what is the government financial participation expected to accomplish?

Hon. C. M. Drury (Minister of Industry): 1. Yes. The Department of Industry has entered into an agreement with Found Brothers Aviation Limited under which the department is sharing the cost of a development project in which the company is engaged.

2. The total amount committed by the department to assist the project is $80,000.

3. Information on the nature and objectives of the project is proprietary and the department, in accordance with its customary practice in respect of such industrial development projects, has undertaken in its agreement with the company to treat it as confidential.

INDIAN AFFAIRS OFFICE, BROADVIEW, SASK.

Question No. 2,637—**Mr. Douglas:**

1. Have any plans been made to close the Indian affairs office in Broadview, Saskatchewan?

2. If so, what is the reason for closing this office?

3. If the Broadview office is closed, what office will serve the reservations presently served by the Broadview office?

Hon. Arthur Laing (Minister of Indian Affairs and Northern Development): 1. No.

2. N/A

3. N/A

TARIFF ON MILITARY EQUIPMENT PURCHASED ABROAD

Question No. 2,641—**Mr. Crouse:**

1. Has there been a change made in the tariff on military equipment purchased abroad by the Canadian government?

2. If so (a) what is the amount of the purchase required for full remission of customs duties (b) is the duty still collected on components purchased by Canadian defence companies?

Hon. C. M. Drury (Minister of Industry): 1. After consultation with Canadian defence industry, a change was made as outlined in order in council P.C. 1966-2184 dated November 24, 1966, called the defence supplies remission order, as published in the Canada Gazette issue dated December 14, 1966.

2. (a) $250,000. (b) Yes. However, when bids for defence supplies are being assessed in competition between Canadian companies and foreign companies, an adjustment is made to the Canadian bid to exclude such duty in order that the bids may be assessed on an equal basis.

SASKATCHEWAN MANPOWER STUDY

Question No. 2,642—**Mr. Pascoe:**

1. Did the federal government participate in a Saskatchewan manpower study by Hillis and Partners, Management Consultants, Limited?

2. If so, how much did the federal government contribute to the cost of the study?

Hon. Maurice Sauvé (Minister of Forestry and Rural Development): 1. Yes. The study was formally proposed by the province of Saskatchewan in September 1965. It was approved in the same month by the federal government as an ARDA project in which we would participate.

2. The estimated total cost for the study was $57,000, of which the federal government agreed to pay half, $28,500. Federal expenditures to date are $15,846.

CHANGES IN AUTOMOBILE INSPECTION SYSTEMS

Question No. 2,666—**Mr. Asselin (Richmond-Wolfe):**

1. Has the government received representations from the United Automobile Workers relating to the statement by Mr. Larry Sheffe of the U.A.W. on February 2, 1967, regarding a change in the inspection systems of the major auto manufacturing companies and its effect on the number of defective automobiles?

2. If so (a) have these representations been brought to the attention of the Canadian government specifications board, and (b) does the government intend to bring in legislation to protect the Canadian consumer in this regard?

[*Translation*]

Hon. C. M. Drury (Minister of Industry): 1. No, however, Mr. Sheffe gave evidence on this subject to the standing committee on justice and legal affairs, on February 2, 1967.

2. See answer to No. 1.

[*English*]

DESIGNATION OF YELLOWKNIFE AS N.W.T. CAPITAL

Question No. 2,703—**Mr. Dinsdale:**

1. As a result of the designation of Yellowknife as the capital of the Northwest Territories (a) what government operations will be transferred from Fort Smith to Yellowknife (b) how many people are involved in this transfer?

2. What developments are planned for Fort Smith to take up the slack created by the exodus to Yellowknife?

3. In what manner will Hay River be affected by either (a) removal of existing government operations or (b) addition of new activities arising from the relocation of the seat of the Northwest Territories government from Ottawa to the territories?

Hon. Arthur Laing (Minister of Indian Affairs and Northern Development): 1. (a) Those territorial services now administered for the whole of the Mackenzie district of the Northwest Territories from Fort Smith but not including the purely regional headquarters functions carried out at Forth Smith. (b) No firm figure is yet available but not more than half the employees now at Fort Smith are likely to be affected. A small number will move this year with the balance phased over a two to three year period.

2. (i) The transfer of officials from Fort Smith will be scheduled over a two year period or so. This will permit the orderly growth of facilities at Yellowknife and to lessen the impact of the move on Fort Smith. (ii) Plans for new institutions in Fort Smith or for the relocation of existing institutions to Fort Smith are being made by the federal and territorial governments, e.g., a $100,000 children's receiving home is to be constructed this year. (iii) The development of new and diversified industries is being studied by the people of Fort Smith. The senior governments will stand ready to assist where possible.

3. (a) Not at all, (b) Natural growth by reason of its position as a distribution centre.

Questions

RETURN FROM ABROAD OF CANADIAN GRADUATE STUDENTS

Question No. 2,707—**Mr. Bell (Carleton):**

1. Has the attention of the Minister of Manpower and Immigration been directed to the recommendations contained in the report of Edward F. Sheffield and Mary Margot McGrail entitled "The Retrieval of Canadian Graduate Students from Abroad"?

2. If so (a) has any action been taken to establish the Department of Manpower and Immigration as the central agency for the retrieval of Canadian graduate students from abroad, and (b) what, in detail is the nature of such action?

3. Has any action been taken by the Department of Manpower and Immigration to compile and distribute information concerning Canadians studying abroad as recommended in the said report and, if so, what, in detail is the nature of such action and what distribution is given to such information?

4. Has any action been taken to establish the Department of Manpower and Immigration as the agency through which guidance should be made available to Canadian gradute students abroad as recommended in the said report?

5. If so, what action has been taken to make its role and services known to expatriate students through university placement officers, appointments boards, foreign student advisers and the like?

6. If the answer to any of the foregoing questions is in the negative, what are the reasons for lack of decision or action?

Mr. J. C. Munro (Parliamentary Secretary to Minister of Manpower and Immigration): 1. Yes. The Department of Manpower and Immigration has studied this report in detail.

2. (a) Yes. (b) This year the Department of Manpower and Immigration has worked closely with the association of universities and colleges of Canada, the Civil Service Commission and representatives of Canadian industry, and professional associations, in establishing a program called "Operation Retrieval". Visits were made to 27 American universities and eight universities in the United Kingdom and western Europe, where substantial numbers of Canadians are studying. Each university was visited by a team made up of representatives from the association of universities and colleges of Canada, the Civil Service Commission, and the Manpower and Immigration Department.

The purpose of these visits was to provide Canadians studying at these institutions with information on career opportunities in Canada. During these visits personal information forms were given to all those who wanted to contact Canadian employers. These forms are being returned to the department for distribution to prospective Canadian employers.

[Mr. Laing.]

For the past three years the association of universities and colleges of Canada has sponsored a series of tours to American and British universities, initially to inform Canadian postgraduate students about academic vacancies in Canadian universities, and then gradually about a broader range of job opportunities. The department helped to finance the teams last year; this year it financed the visits, provided a representative for each team, and arranged a one day briefing conference for the team members.

The Department of Manpower and Immigration and the association of universities and colleges of Canada have agreed that in future the department will assume full responsibiilty for planning and administering similar programs for this purpose.

3. Yes. The Department of Manpower and Immigration publishes detailed information on Canadians studying abroad in the form of two directories; namely, the directory of Canadian students studying in the United States, and the directory of Canadian students studying in the United Kingdom. The directories list each student's name, address, degrees earned, degrees expected, expected year of graduation, name of university attended, field of study, and, in the case of graduate students, thesis topic and supervisor.

The directories are available from the department without charge, and are sent at present to a mailing list of some 2,500 representatives of education, industry, professional and scientific organizations, and federal, provincial and municipal government departments and agencies.

4. Yes. Please see the answer to part 5.

5. Each visiting team held a general meeting to which all Canadian graduate students were invited, and followed it with a full day of individual interviews. The teams were equipped to provide professional guidance and occupational information.

In addition to the visiting teams, about 7,000 copies of the Canada careers directory were mailed to Canadians studying in the United States. This directory is a useful guidance tool which provides information on employment opportunities.

By means of the activities described in 2(b) and 3, an increasing number of Canadians studying abroad, university placement officers, and student advisers are becoming aware of the services offered by this department.

6. Not applicable.

FEDERAL BUILDING, ESTERHAZY, SASK.

Question No. 2,708—**Mr. Ormiston:**

1. How many sites were considered before a decision was made to purchase the property for the proposed federal building in Esterhazy, Saskatchewan?

2. What is the legal description and location of these sites in question and the sale value quoted in each case?

3. What was the deciding factor in making the choice to purchase the property finally selected?

4. Was any representation made by any individual, group, committee, organization or company regarding the location of the proposed federal building?

5. Have any complaints been registered against the choice of location by any individual, group, committee, organization or company?

6. What is the (a) estimated cost of the proposed building (b) anticipated date of commencement of construction (c) date of completion?

Hon. G. J. McIlraith (Minister of Public Works): 1. Two sites were considered.

2. Site 1: Owner: Shepherd-Adamson Agency (1961) Ltd., Yorkton, Sask. Legal description: Lot 23, Block 6, Plan 66R41471, SE 1/4, Sec. 28, Twp. 19, Rge. 1, W2M, Esterhazy, Sask. Southeast corner of Main street and Third avenue, Esterhazy. Price $33,506.50. Site 2: Owner: Mike Zich, Esterhazy, Sask. Legal description: Lots twenty five (25) to thirty one (31), inclusive in Block two (2) according to a plan of record in the land titles office for the Regina land registration district as No. 59463. Southwest corner of Maple street and Second avenue, Esterhazy. Asking price: $50,000.

3. The choice to purchase the property finally selected was based on its price, location for service to the public and the general support of a majority of the local residents.

4. Representations were made in favour of the proposed location by the Esterhazy town council, community planning branch, department of municipal affairs, province of Saskatchewan and the International Minerals and Chemical Corporation (Canada) Ltd.

5. Representations have been received against the proposed location from the Esterhazy Chamber of Commerce, Mr. Mike Zich, Esterhazy, Sask., and Van Ginkel Associates, Knowlton, Que.

6. (a) It is not customary to reveal the estimated cost before tenders are called. (b) Anticipated date of commencement of construction: July, 1967. (c) Date of completion, March, 1968.

LOCATION OF NATIONAL MUSEUM

Question No. 2,730—**Mr. Bell (Carleton):**

1. In what location or locations has it been planned heretofore to erect buildings for the National Museum?

2. Has there been any change of plan in relation to such location or locations?

3. If so, what change?

4. What is the present time schedule for the erection of each of such buildings?

Hon. G. J. McIlraith (Minister of Public Works): 1. The plan was to erect the natural history museum on the site formerly occupied by the Woods-Canadian building, the Roxborough apartments, and adjacent lands extending east to the Driveway. There was a proposal to make use of a second site on Cartier Square for other related buildings, but no action on this was taken.

2. This matter is under review as to the best utilization of the proposed building on the first site and of the space at the second site.

3. See part 2, above.

4. No time schedule has been established.

*LABOUR RESEARCH CENTRES

Question No. 2,740—**Mr. Irvine:**

Is it the intention of the government to establish labour research centres in major metropolitan industrial cities as suggested by the representations made by local 27, U.A.W., London, Ontario, on March 7, 1967, and (a) if so, when may such action be expected (b) if not, for what reason?

Hon. J. R. Nicholson (Minister of Labour): Mr. Speaker, consideration is being given by the Department of Labour to placing representatives of the economics and research branch of the department in at least some of the offices of the Department of Labour now established in larger centres across Canada. However, no final decision has been made.

TRANS-CANADA HIGHWAY—SUGGESTED RENAMING AS VANIER HIGHWAY

Question No. 2,742—**Mr. Olson:**

Is any consideration being given to naming the trans-Canada highway "The Vanier Highway"?

Hon. G. J. McIlraith (Minister of Public Works): No.

PROHIBITION AGAINST WOMEN WORKING IN MINES

Question No. 2,743—**Mrs. MacInnis (Vancouver-Kingsway):**

1. Has Canada ratified the I.L.O. convention prohibiting women from working in mines?

Questions

2. If so, has the federal government passed legislation to give effect to this convention?

3. To the knowledge of the government have any of the provincial governments passed such legislation and, if so, which ones?

Mr. B. S. Mackasey (Parliamentary Secretary to Minister of Labour): 1. Canada in September 1966 ratified I.L.O. convention No. 45 concerning employment of women on underground work in mines of all kinds.

2. No.

3. All provinces had passed legislation prohibiting work of women in manual occupations underground in mines before the convention was ratified.

BUILDING FOR EXHIBITION COMMISSION AND CHIEF ELECTORAL OFFICER

Question No. 2,748—**Mr. Bell (Carleton):**

1. In what location in the city of Ottawa is it proposed to erect a building for the exhibition commission, Department of Trade and Commerce, and chief electoral officer?

2. When is it anticipated that this building will be (a) commenced (b) completed?

3. What is the estimated total cost of the building?

4. How many square feet of space will be provided in the building?

Hon. J. G. McIlraith (Minister of Public Works): 1. The proposed new building for the exhibition commission and Chief Electoral Officer will be located on the south side of Coventry road near the junction with Belfast road.

2. It is anticipated that (a) construction will begin during April, 1967, and, (b) that the buildings will be completed around April, 1968.

3. The lowest tender received is in the amount of $2,548,000.

4. 240,000 sq. ft.

FEDERAL CONTRIBUTION TO LAFONTAINE TUNNEL, MONTREAL

Question No. 2,758—**Mr. Isabelle:**

1. Did the government of Canada contribute toward the construction of the recently opened Louis-Hyppolite Lafontaine tunnel in Montreal?

2. If so, what was its contribution?

3. Who represented the federal government at its opening and what speeches did they make?

[*Translation*]

Hon. G. J. McIlraith (Minister of Public Works): 1. Yes.

2. Estimated total federal contribution $53,774,607.

[Mrs. MacInnis (Vancouver-Kingsway).]

3. The Hon. George J. McIlraith, Minister of Public Works, the Hon. Maurice Sauvé, Minister of Forestry and Rural Development, and Mr. G. B. Williams, Senior Assistant Deputy Minister, Department of Public Works. None of these spoke.

[*English*]

QUESTIONS PASSED AS ORDERS FOR RETURNS

FEDERAL APPOINTMENTS OF ELECTION CANDIDATES

Question No. 2,168—**Mr. Grégoire:**

Who among the persons appointed by the governor in council since November 2, 1965, were candidates at the general election of November 8, 1965?

Return tabled.

EMPLOYMENT OF CONSULTANTS BY MANPOWER DEPARTMENT

Question No. 2,493—**Mr. Knowles:**

1. Has the Department of Manpower and Immigration, at any time since it came into being, engaged a firm of consultants?

2. If so (a) what is the name of the firm (b) what terms of reference were given to it (c) was it engaged on a contract basis or otherwise, and (d) how much has been paid to the said firm to date?

3. Was the firm engaged to study and report on any particular division, branch or section of the department, and, if so, which one?

4. Have any reports or recommendations yet been submitted and, if so, what was their nature and are they being implemented?

5. When will the firm's final report be submitted?

Return tabled.

EMPLOYMENT ON LOUISBOURG RESTORATION PROJECT

Question No. 2,610—**Mrs. MacInnis (Vancouver-Kingsway):**

1. How many persons, labour, professional and civil service, were employed at the fortress of Louisbourg restoration project on January 1 of each year between January 1960 and January 1967?

2. What were the classifications of these employees?

3. What were the rates of pay, salaries and method of payment of these employees?

Return tabled.

GASPÉ-CAMPBELLTON MAIL CONTRACT

Question No. 2,627—**Mr. Caouette:**

1. With respect to contracts awarded for the transportation of mail between Gaspé and Campbellton in replacement of the mail train, and for mail transports 100-101, 102-103, 140-141 and 160-161 respectively (a) what was the name of each of the

bidders, including their bids (b) who was awarded the contract for these mail transports (c) if the lowest bidder was not awarded the contract, why was this so?

2. Who has the contract for the distribution of parcels originating from the Lévis Post Office?

3. Was a call for tenders made and, if so (a) what is the name of each of the bidders (b) what were their bids (c) who was awarded the contract?

Return tabled.

APPLICATIONS FOR REMOVAL OF RAILWAY AGENTS

Question No. 2,698—**Mr. Schreyer:**

1. How many applications have been received by the board of transport commissioners from the C.N.R. and C.P.R. relative to the removal of agents at specific localities in each month since January 1, 1965?

2. Of the number of applications received from each of the two railway companies, how many were approved?

3. What are the place names involved with respect to each of these applications for agent removal?

Return tabled.

• (2:40 p.m.)

HOUSING

ALLEGED CRISIS—MOTION FOR ADJOURNMENT UNDER STANDING ORDER 26

Mr. Reid Scott (Danforth): Mr. Speaker, I ask leave, seconded by the hon. member for Winnipeg North (Mr. Orlikow), to move the adjournment of the house under standing order 26 for the purpose of discussing a definite matter of urgent public importance, namely the serious housing crisis in Canada today, as evidenced by the disastrous drop in housing starts, high mortgage rates and the crippling rise in the prices and the rents of homes.

Mr. Speaker: Would the hon. member for Danforth address the Chair on the question of urgency of debate.

Mr. Scott (Danforth): Yes, Mr. Speaker, I shall be very happy to take the opportunity to do so. As Your Honour knows, this is a type of motion which is rarely brought in the house.

Some hon. Members: Oh, oh.

Mr. Scott (Danforth): Only when there is a matter which is felt to be of great and pressing urgency requiring debate is such motion brought. One of the requirements for debate is, as in this instance, that the subject matter of the matter to be debated be within the ambit of government ministerial responsibility. Of this there is no doubt. The government is involved, perhaps inadequately, but it is involved in the matter of housing.

Another requirement is to satisfy Your Honour that no further opportunity to debate this matter, which is of great importance, will be afforded us. We all recall that the minister's estimates have been passed; there will be no further opportunity for us to raise a matter of such pressing national importance.

Also we are required to satisfy Your Honour on the whole matter of urgency of debate. It seems to me, Mr. Speaker—and I make this submission to Your Honour—that in the five years I have been in this chamber there has never been an occasion, in my recollection, when a matter so urgently required the adjournment of the business of the house for discussion. At the present moment we are confronted with a housing crisis of the first magnitude. Of that there cannot be the slightest doubt in the minds of hon. members here today. In this country our housing policy is non-existent.

Some hon. Members: Order.

Mr. Scott (Danforth): Our record in the field of housing is a fiasco. Today, as we talk here, our young people cannot afford to buy the homes being built, and our old people are being overcharged for them.

Mr. Speaker: Order, please. It seems to me that the hon. member is well launched in his argument. Would the hon. member please resume his seat? I should remind the hon. member that he has to address himself to a very limited question, whether there should be debate at this time and whether the business of the house should be adjourned for the purpose of debating the question.

Mr. Scott (Danforth): With the greatest respect, Mr. Speaker, one of the difficulties in trying to establish urgency is to demonstrate that a real crisis faces this country. I remember, for example, that a year or two ago Your Honour allowed a debate in this house on a matter of drought affecting farmers in the Ottawa valley. That was a proper debate. Today in Canada we have a drought in housing. This situation is far more critical than the situation Your Honour allowed to be debated previously.

It is impossible for us to adequately express in words the scandalous situation that has developed in the housing industry in Canada.

We can mention the gouging and the difficulties our people are suffering, but how else can we raise this subject and demonstrate the urgency of debate? We can only do it by trying to convince Your Honour that Canada faces a crisis.

In the middle of this hurricane of discontent sits the minister, calm, indifferent, serene, unconcerned and hiding behind the British North America Act. His sole contribution to this crisis has been to suggest the release of more mortgage money and all that will do, Mr. Speaker, is to build more homes that our people cannot afford to buy anyway. No later than last Saturday one of the leading Toronto morning newspapers did a survey of housing in Canada—

• (2:50 p.m.)

Mr. Grafftey: Name the other one.

Mr. Scott (Danforth): —pointing out that every province in this country, because of the delay and indifference of the federal government, has now developed some sort of housing policy of its own which varies from total inadequacy to mediocrity. Yet still, Mr. Speaker, we are hidebound in this house by rules that seem to say we cannot raise issues of this kind even though all members of the house know that every Canadian, almost from coast to coast, is feeling the pinch of housing, our young people and our old people. In such a situation we still have to try to convince Your Honour.

I could go on, but it would be transgressing the rules, to drag in the dreary statistics of failure in the whole housing field. But, Mr. Speaker, I want you to remember when you consider this motion that these statistics, which I would be willing to put on to the record and will do so if I get an opportunity, are people; and that every week end and every day—

Hon. A. J. MacEachen (Minister of National Health and Welfare): Mr. Speaker, I rise on a point of order.

Mr. Scott (Danforth): —we members are receiving pitiful calls from people desperately crying out for action—

Mr. Speaker: Order. The Minister of National Health and Welfare is rising on a point of order.

Mr. Grafftey: Let the right wing handle this.

Mr. MacEachen: Mr. Speaker—

[Mr. Scott (Danforth).]

Mr. Grafftey: They have already dominated you. This is a right wing problem. Dinosaurs!

Mr. MacEachen: Mr. Speaker, we have had a demonstration of a cynical disregard for the rules of the house in the performance by the hon. member who has just taken his seat.

Mr. Scott (Danforth): I rise on a point of privilege—

Mr. Speaker: Order, please.

Mr. MacEachen: The hon. member—

Mr. Scott (Danforth): On a point of privilege—

Mr. Speaker: Order, please. The hon. member should have a bit of patience. There is a point of order raised, and I suggest that we should hear the minister out on the point of order. If the hon. member so wishes I shall recognize him afterward.

Mr. Scott (Danforth): Mr. Speaker, you have always told us a point of privilege must be raised as soon as it occurs and that is why I rise at this time, notwithstanding your suggestion, to ask you to reprimand the Minister of National Health and Welfare for his disgraceful comment that what we are doing is having an exercise in cynical misuse of the rules of the house.

Mr. Speaker: Order, please.

Mr. Scott (Danforth): I suggest to Your Honour—

Mr. Speaker: Order, please. There is no question of privilege at all in what the hon. member is now saying. The Minister of National Health and Welfare.

Mr. MacEachen: Mr. Speaker, I had begun by saying we just had a demonstration by the hon. member of a cynical disregard for the rules of the house. On a procedural motion which ought to be directed exclusively to a point of order we have heard the hon. member import into his speech a whole series of allegations, statistics and criticisms of the government. We know that it is improper at this time. If the hon. member is to be allowed his place on the floor at this time he ought to argue directly on the point of order, namely whether the normal business of the house ought to be set aside in order to debate the problem of housing. That is the motion before us—

Mr. Knowles: Hear, hear.

Mr. MacEachen: —not a series of allegations, claims and charges, which have been cynically made by the hon. member in full knowledge that he was violating the rules of the house because he said himself—

Mr. Speaker: Order, please.

Some hon. Members: Hear, hear.

Mr. MacEachen: Mr. Speaker—

Mr. Speaker: Order, please. The minister has made his point and I recognize the validity of the point. I am sure the hon. member for Danforth knows what the rule is and the limitation placed on debate at this time, and I would ask him to bear this in mind in making his submission to the Chair.

Mr. Scott (Danforth): Mr. Speaker, it is also my understanding that the rules of the house provide that members may not impute motives to other members. In view of what the minister has said I would have hoped Your Honour would have drawn that to his attention, just as you have drawn the rules to my attention.

Mr. Speaker: Order, please. I would ask the hon. member for Danforth to kindly limit his comments. I must say that since he started to discuss this motion this afternoon he has made it very difficult for the Chair. I would ask him to co-operate with the Chair and keep in mind what the rules are—rules which apply to him as they do to the rest of the house—and limit his remarks to whether there should be an adjournment of proceedings to discuss the matter to which he has referred.

Mr. Scott (Danforth): Surely the rules apply to both sides of the house, and I am entitled to your protection. The minister has made an outright charge that what I am doing amounts to a cynical misuse of the rules. I have been in this chamber for five years—

Some hon. Members: Too long.

Mr. Scott (Danforth): Some say it is too long. That may be, but in all that time I do not believe I have been charged with an offence of that kind by any minister. I ask Your Honour to give me the protection of the Chair against people like that.

Some hon. Members: Oh, oh.

Mr. Speaker: Order, please. If the hon. member needs this protection—and I have the impression that he can look after himself rather well—I can assure him he has that protection. I invite him now to continue. I really did not think motives were imputed by the minister. He rose on a point of order and indicated that in his view the hon. member was going beyond what the rules allow him to do. I will not rule on that. I will just ask the hon. member to make it possible for the house to go on with its business, and to continue his speech.

Mr. Scott (Danforth): I will do so. Perhaps I have had sufficient opportunity to make the point I was trying to make. In conclusion I merely want to remind the house and Your Honour that the subject I am attempting to raise today involves one of the most urgent, critical and important social problems which face Canada today. It is one which has not been dealt with for as far back as I can remember. It is one which has been neglected, and the Minister of National Health and Welfare gave a good example today by his indifference.

Some hon. Members: Order.

Mr. Scott (Danforth): When making your ruling I hope Your Honour will take into consideration the critical nature of the difficulties our people face, and that you will permit us to adjourn the business of this house in order to debate the matter until such time as we are able to force this indifferent and recalcitrant government into action.

Mr. G. L. Chatterton (Esquimalt-Saanich): I should like to say a few words in support of the motion to adjourn the regular business of this house in order to discuss what I consider to be the most important immediate problem facing Canadians today. Day after day we have asked the Minister of Labour and the government what they are proposing to do to help resolve this serious problem. Either the minister and the government are uninformed or they are disinterested.

To illustrate the urgency of this matter let me say that today it is almost impossible for Canadians earning an average income to acquire a house under the existing provisions of the National Housing Act. Furthermore, the difficulty has been compounded by the actions of the government itself, first by increasing the interest rate by 1 per cent in one year—

Some hon. Members: Order.

Mr. Chatterton: —and then by increasing the cost of production, thus placing the price of a home beyond the reach of the average Canadian. Elderly citizens are unable to pay the high rents being charged because there is

a shortage of housing. I can only add my support for this motion and urge Your Honour to allow us to discuss this subject today, so that at least there might be some hope of convincing the government that action is required.

Mr. Heward Grafftey (Brome-Missisquoi): In addressing Your Honour on this matter we must, as I understand the rules, establish urgency first of all. Next we must establish that we are discussing a national problem over which the government has jurisdiction. As to urgency, we understand the Easter recess is in prospect, and soon after that spring housing starts are due to begin.

• (3:00 p.m.)

Under the rules I would not be permitted at the present time to go into statistics. The Minister of Labour, however, when he became aware a number of weeks ago of the national housing crisis, started a series of cross country symposiums and study groups. In answer to questions we have put to him over the past number of weeks the minister has informed us that these now have to come to an end. Now that these symposiums and study groups have come to an end members of the house and people across this land are demanding immediate action. We all know that even with the modern construction techniques that are available the greatest number of housing starts normally take place in the early spring months. Now, with the symposiums and study groups having come to an end, with the Easter recess facing us, and with the time approaching when we hope there will be early spring housing starts, I think we have reached the time when we should have a debate now, not when it is too late. This is a problem which should be debatable under the constitution as it exists today.

One reason I am calling for constitutional reform is that so many of the people's problems are being pushed back and forth between federal and provincial jurisdiction. The Minister of Labour says that by and large this is a provincial problem. I differ with him. I believe the disgrace of our national crisis right now vis-à-vis housing is a national problem which should be the concern of the federal government. Because of the fact that we will come to grips with the housing crisis only if we have a national policy now and not tomorrow, because we are faced with an Easter recess and the necessity for housing starts in the early spring months, and because the study groups and symposiums are finished, I believe we should debate this matter now in the highest forum of this land, the House of Commons, so the thousands of Canadians who are looking for a decent roof over their heads right away will be given some hope by this government and this House of Commons.

[Mr. Chatterton.]

[*Translation*]

Mr. Réal Caouette (Villeneuve): Mr. Speaker, the adjournment motion moved by the hon. member for Danforth (Mr. Scott) reads in part as follows:

[*English*]

—for the purpose of discussing a definite matter of urgent public importance, namely the serious housing crisis in Canada today, as evidenced by the disastrous drop in housing starts—

[*Translation*]

I feel, Mr. Speaker that the country is not going through a housing crisis as much as a financial crisis which will not allow Canadians to buy homes.

The problem is not to build houses but to make it possible for Canadians to buy the houses already built. They should be given 75 to 90 years to pay a reasonable monthly instalment.

Today, the Conservatives are strongly in favour of adjourning the proceedings of the house to discuss that important matter: the housing crisis. If they had assumed their responsibilities while in office, it is likely that they would not have to support such a motion today.

Mr. Speaker: Order. I hesitate to interrupt the hon. member, but I am taking the liberty of reminding him, as I did in the case of other members who took part in this debate, that we must restrict ourselves as much as possible to a single consideration, namely whether such a debate is urgent at this time.

Mr. Caouette: Mr. Speaker, I thank you for reminding me it is essential that I should deal exclusively with the adjournment motion.

I feel that even though it is urgent to discuss housing projects in Canada, our prime and most urgent concern should be to deal with the financial ways of enabling Canadians to order a house and this would then provide the required impetus. I do not feel this adjournment motion would bring anything to the Canadian people at the present time, as long as we retain a prohibitive financial system under which they are prevented from owning their own home.

[*English*]

Mr. E. Nasserden (Rosthern): Mr. Speaker, in respect of this question of urgency which has been raised, I think we must accept the fact that there has been a decline in housing starts in Canada, that there has been a serious decline in plans for high rise construction, that we have tight money at high interest rates, and that all the minister opposite has done is raise the interest rate and suggest that this will solve the problem. Over the week end in Saskatoon I noticed that some persons who have been employed in the largest industries which supply the housing trades have been laid off over the last few months because of the decline in housing starts. All these things indicate it is time this government came to grips with this problem and gave this House of Commons and the Canadian people some leadership in so far as a housing policy is concerned.

[*Translation*]

Mr. Gilles Grégoire (Lapointe): Mr. Speaker, I should like to support the motion of the hon. member for Danforth (Mr. Scott) and state the reasons why I feel this debate is urgent. It is because when we go to meet our constituents in our home ridings, the first question raised by the Canadian people and generally by the people of Quebec, is the one they consider the most urgent to settle, that is the problem of home building.

Settlement of this question is urgent first of all for the construction workers who are laid off precisely because there is no work available for them and, as a result, unemployment is rising noticeably. For them, it is an urgent problem to settle.

For the people who need a home and who cannot do without nor buy one because prices are too high, there is also urgency of debate so that we can suggest to the government what should be done to reduce the prices and how to adapt a new system which will enable the people to buy homes.

There is also urgency, Mr. Speaker, because construction is probably a field which, when in a bad way, has the worse effects on other sectors of the economy. That is the case today.

Everyone in Canada feels there is an urgent problem to settle in the field of construction. If the public agrees that the problem is urgent, we should at least recognize that it is urgent to debate the matter. That may not do much, but at least it will prove to the people that we agree it is an urgent problem, and that is why we are now considering it. Moreover, this would give the government an opportunity to say whether it intends to take action or continue as before, that is do nothing.

Now, Mr. Speaker, there is another point that I would like to call to your attention, and it might prove the urgency of the debate. At present, we have no other opportunity to discuss it, and even the leader of the government expressed his intention to adjourn the session tomorrow evening, that is, Tuesday. Well, I for one am ready to put off the adjournment until Wednesday, and to deal with today's business tomorrow and Wednesday, in order to discuss today the housing problem, which is more urgent than any other business right now.

I submit that this is an urgent problem, since it is of vital importance to all the citizens whom we represent here.

You judge the urgency of a debate by the urgency of the problem to be settled. Therefore, if our constituents view this as a pressing problem, it must necessarily be urgent for us to deal with it and to say here what people think in our ridings.

• (3:10 p.m.)

[*English*]

Mr. Speaker: Order, please. I thank hon. members for their very interesting comments in connection with the motion raised by the hon. member for Danforth. Perhaps I should remind hon. members again of the general ruling in respect of the procedure to be followed, to the effect that members should limit their remarks in support of or opposition to a motion under standing order 26 to the question of the urgency of debate rather than the substance of the subject matter. I fully realize it is not easy to talk about the urgency of debate without referring also to the urgency of the matter. I try to keep this in mind in allowing hon. members to refer to a certain extent to the subject matter itself.

Having said that, I must now decide on the basis of precedent and the standing orders whether there is reason at the moment to allow the announced business of the house to be set aside for the purpose of discussing the matter raised by the hon. member for Danforth. As has been pointed out during the course of the procedural debate we have had, the Chair must be satisfied that there is a matter of sudden urgency. As I interpret the remarks of the hon. member for Danforth and others, this is not a matter which has arisen

today or within the last few days. It is perhaps an important matter of continuing urgency, and because that is so I doubt very much whether it is possible to accept the motion.

The hon. member brought to the attention of the Chair one of the important considerations; that is, will there be an early opportunity to debate the matter. It is my understanding that at a very early date there will be an interim supply motion before the house. During the debate on that motion, I think is the time problems such as the one referred to by the hon. member can be discussed.

What the Chair has to take into account is the relative urgency of the matter raised under standing order 26 and the announced business for a particular day. The business for today is the consideration of amendments to the Bank Act. That is an important and urgent matter, and if my understanding is correct it is important that a decision in this regard be made before the end of the month. In considering the importance of one as compared with the importance of the other, and in light of other considerations to which I have referred, I do not believe it is possible for the Chair to put the motion proposed by the hon. member.

HEALTH AND WELFARE

REQUEST FOR PROHIBITION OF USE OF DRUG LSD

On the orders of the day:

Right Hon. J. G. Diefenbaker (Leader of the Opposition): Mr. Speaker, I should like to direct my question to the Solicitor General. In view of the increasing number of tragedies in the last few weeks, the last of which occurred in Toronto within the last 48 hours, in connection with the use of LSD, will the minister place before this house some method of restricting the use of this drug by putting it on the list of prohibited drugs under the provisions of the Narcotic Control Act? I should hope such a step would meet with general support, and that it can be taken before this house adjourns so there will be at least some slow-up in the number of tragedies which have occurred at an accelerated rate in recent weeks.

Hon. L. T. Pennell (Solicitor General): Mr. Speaker, while this question is also related to the Department of National Health and Welfare perhaps I might be permitted to say that the question of control over LSD was recently brought before a cabinet committee by the Minister of National Health and Welfare. The subject was discussed at considerable length. Possible amendments to the Food and Drugs Act and the Narcotic Control Act are under active consideration.

Mr. Diefenbaker: I have a supplementary question, Mr. Speaker. I appreciate the attention that has been given to this matter, which is grievously serious. Is it possible to put LSD on the list of prohibited drugs under the Narcotic Control Act in order that some control may be exercised in respect of its use? It seems necessary to place this substance under some kind of ban, as are other substances which are deleterious to individuals.

Mr. Pennell: I can only say that the very point raised by the right hon. gentleman was the subject of the discussion in the cabinet committee to which I referred. I am not in a position to give a precise answer as to when any possible amendment could be brought before the house.

TELEVISION

PROGRAM ON C.T.V. RESPECTING USE OF CERTAIN DRUGS

On the orders of the day:

Hon. L. T. Pennell (Solicitor General): Mr. Speaker, several weeks ago I took notice of a question adressed to me by the right hon. Leader of the Opposition regarding a television program which had to do with marijuana and LSD. I now wish to advise that I caused a transcript of the program to be sent to the Department of Justice. The R.C.M.P. also have a tape of the program. The Department of Justice gave an opinion that the only possibility of action might be against those persons on the program who admitted having been in possession of drugs. I am informed that one of the persons who appeared on the program is facing a charge of violating provisions of the Narcotic Control Act. The R.C.M.P. are continuing to investigate an incident referred to on the program.

AGRICULTURE

MILK—THREAT TO WITHHOLD SUPPLIES FROM MARKET

On the orders of the day:

Mr. Ed. Schreyer (Springfield): Mr. Speaker, I should like to ask the Minister of Agriculture whether he has received a request in recent days from a farm or dairy organization, advising him that if the present milk price continues they may take action to withhold milk supplies from the market. Will

the minister indicate what course of action he is taking to deal with the situation?

Hon. J. J. Greene (Minister of Agriculture): Mr. Speaker, I just received a copy of a wire forwarded to the Prime Minister's office in this regard. In answer to the second half of the hon. member's question let me say that we will soon announce our dairy policy for the ensuing year. I have every hope that it will be sufficiently responsible and attractive to the dairying community that such action will not be necessary.

[*Translation*]

Mr. Réal Caouette (Villeneuve): A supplementary question, Mr. Speaker.

The minister says he will announce his dairy policy soon. Can we expect that this announcement will be made this week, before the Easter recess, for example?

Mr. Greene: Mr. Speaker, I am not sure when the house will adjourn, but I trust that the dairy policy will be announced before that time.

[*English*]

Mr. Eric A. Winkler (Grey-Bruce): Mr. Speaker, I have a supplementary question. Since the minister has now answered the question posed by the hon. member for Springfield, which he refused to answer last week, can he indicate whether there will be an increase to the producer in the price of manufacturing milk?

Mr. Greene: Mr. Speaker, the policy will be announced in due course in the normal manner, and any increase will be made known at that time.

Mr. Winkler: On a question of privilege, Mr. Speaker, I should like to know whether the minister will bring forward some beneficial legislation at the first opportunity in respect of farm machine prices. The minister has a habit of making political speeches outside the house in respect of other levels of responsibility.

Mr. Speaker: Order, please.

[*Translation*]

IMMIGRATION

ADMISSION OF FRENCH PROFESSOR TO LECTURE ON KARL MARX

On the orders of the day:

Mr. Réal Caouette (Villeneuve): Mr. Speaker, in the absence of the Prime Minister, I shall put my question to the Acting Prime Minister (Mr. Martin).

In its Saturday edition, *Le Droit* reported that a series of lectures on Karl Marx will be given at the Ottawa University, starting tonight, by a noted communist, Henri Lefebvre, the most complete marxist thinker of French expression. Is the government aware that seven lectures on communism will be given at the University of Ottawa, starting tonight, and has it approved or is it approving such lectures?

Mr. Speaker: Order. I do not think that this question relates to a subject pertaining to the administrative responsibility of the government.

Mr. Caouette: Mr. Speaker, I direct my question to the hon. Minister of Manpower and Immigration.

Was the minister aware that Professor Henri Lefebvre from the University of Paris, was admitted into Canada in order to give lectures at the Ottawa University on the doctrine of Karl Marx?

Hon. Jean Marchand (Minister of Manpower and Immigration): Mr. Speaker, I know that the doctrine of Karl Marx is being taught in several universities. I was a university student myself and I attended lectures on Karl Marx, Engels and Hegel, and I think such a procedure is normal in universities nowadays. I do not know—I was not informed—when Mr. Lefebvre crossed the border.

Mr. Caouette: Mr. Speaker, a supplementary question. Is it for that reason the minister seems to be inclined to communism?

Mr. Speaker: Order.

[*English*]

LABOUR RELATIONS

SPEECH BY LABOUR MINISTER RESPECTING INDUSTRIAL RELATIONS LAWS

On the orders of the day:

Mr. Howard Johnston (Okanagan-Revelstoke): Mr. Speaker, I wish to address my question to the Minister of Labour and ask him to tell the house whether his recently reported remarks to the effect that there was something fundamentally wrong with the present industrial relations laws and mechanisms indicate the early introduction of legislation to provide labour courts or compulsory arbitration machinery to deal with strikes in essential services.

Inquiries of the Ministry

Hon. J. R. Nicholson (Minister of Labour): The remarks of the Minister of Labour were in line with the remarks previously expressed by him and, what is perhaps more important, with the remarks made by the Prime Minister that the time was overdue for such a study. That is why a task force was set up some months ago.

Hon. George Hees (Northumberland): Mr. Speaker, I have a supplementary question for the Minister of Labour. In view of his statement that our labour laws are no longer in tune with reality and that something is fundamentally wrong with our industrial relations laws, will he introduce amendments to the Canada Labour Code to correct the situation which the minister himself said has become serious in the past few years?

Mr. Speaker: Order. It seems to me that the question asked by the hon. member for Northumberland is a repetition of the one asked by the hon. member for Okanagan-Revelstoke.

[*Later:*]

Mr. Heward Grafftey (Brome-Missisquoi): Mr. Speaker, although I do not wish to repeat the question put by the hon. member for Okanagan-Revelstoke I would like to question the Minister of Labour on the speech he made in Halifax in which he spoke about our outmoded management-labour laws. In view of the urgency of this question would he now order the task force which he set up, to report before the end of 1967 rather than some time in 1968, in order that we can have action sooner rather than later?

Mr. Speaker: Order, please. The hon. member suggests there should be a report before the end of 1967. This places his question within the category of those that can be placed on the order paper.

Mr. Grafftey: Mr. Speaker, because of the urgency of the question I would ask to be allowed to rephrase my question and ask the minister whether he is considering the setting up, apart from the task force, of study groups and symposiums to look into this matter.

Mr. Nicholson: For the hon. member's benefit, and because of his sarcasm, I would remind him that the task force was not set up by the Minister of Labour. It was set up by the Prime Minister, and the Prime Minister has already advised the house that he hoped an interim report would be available well before the end of the year.

[Mr. Johnston.]

Mr. Grafftey: With the problem as urgent as it is, when can we expect action?

FISHERIES

REQUEST FROM HUMANE SOCIETY FOR ABOLITION OF SEAL HUNT

On the orders of the day:

Right Hon. J. G. Diefenbaker (Leader of the Opposition): Mr. Speaker, in the hope that the Minister of Fisheries is in a better humour today than he was the other day I should like to ask him now whether he has received a request from the national Society for Prevention of Cruelty to Animals for the banning of the cruel and harmful killing of baby seals, and whether that society's representation has softened his resistance to action in this regard.

Hon. H.-J. Robichaud (Minister of Fisheries): Yes, Mr. Speaker; Friday evening I received a telegram from Mr. A. L. MacLaurin, president of the Canadian Society for the Prevention of Cruelty to Animals. I was not surprised to receive this telegram, because the day before the seal hunt started he sent a circular letter to Canadian newspapers saying that he would ask for the complete abolishment of this operation.

The following was my reply to Mr. MacLaurin's telegram:

> In reply to your telegram of March 17 I shall examine the written report of your observers St. Onge and Johansson in the light of information received from my officers and from the group of representatives of Canadian and international societies to whom we gave transportation. In spite of conflicting reports including some from irresponsible persons it is clear that conditions in the seal fishery in 1967 were improved by revised regulations and intensive enforcement and are comparable or perhaps better than in many activities involving the killing of animals. In view of the importance of the seal fishery to many residents of Atlantic provinces with relatively poor income opportunities I cannot consider abolition of the fishery at this time but assure you that we shall continue our efforts to improve conditions still further.

Mr. Diefenbaker: Mr. Speaker, in view of the small income derived from this operation—I believe each sealer makes approximately $300—would it not be cheaper for the government to pay these people rather than continue to give Canada the kind of black eye which the minister does nothing to correct?

Mr. Speaker: Order, please. I believe the question asked by the right hon. Leader of the Opposition is more in the form of an argument than a question.

Mr. Robichaud: Mr. Speaker, may I rise on a question of privilege. I believe I have a right to do so because the right hon. gentleman has referred to the bad image this operation is creating for Canada. I should like to repeat what I have said before, namely that the bad image is created by irresponsible people who request the complete abolition of this operation without obtaining proper information.

Mr. Diefenbaker: Does the minister include among those irresponsible people the president of the S.P.C.A. and the thousands of Canadians in every walk of life who are demanding action today?

Mr. Speaker: Order, please. This is becoming a debate. We had a debate on this point last week, and the present exchange between the right hon. Leader of the Opposition and the Minister of Fisheries is a reiteration of the same points. I do not think this point can be raised as a question of privilege.

[*Later:*]

Mr. Andrew Chatwood (Grand Falls-White Bay-Labrador): Mr. Speaker, I have a question for the Minister of Fisheries. In giving appropriate consideration to the charges that have been made with regard to the seal fishery by some people, many of whom are poorly informed, will the minister take all possible measures to ensure that sealers are allowed to use the appropriate weapons for taking seals and thus ensure an increase in the seal fishery which is of vital importance to the livelihood of so many Canadians?

Mr. Speaker: Order. The hon. member is asking a question which relates very closely to others asked earlier today. Although the question is quite in order, as asked it does not have particular urgency and the hon. member may want to discuss it during the adjournment debate.

Mr. Chatwood: Ten o'clock, Mr. Speaker.

INDUSTRY

GENERAL MOTORS—DISCONTINUATION OF CANADIAN PRODUCTION OF TWO MODELS

On the orders of the day:

Hon. Michael Starr (Ontario): Mr. Speaker, I wish to address a question to the Minister of Industry and ask him whether he has acceded to the request of Mr. George Burt, regional director of the U.A.W., for a meeting to discuss the announcement by General Motors of the discontinuance of the production of two additional models that were manufactured in Oshawa and will now be manufactured in the United States. Has such a meeting been held, and if not when is it to be held?

Hon. C. M. Drury (Minister of Industry): Mr. Speaker, I advised Mr. Burt earlier this week that I am attempting to find a time at which the three ministers with whom Mr. Burt wants to meet can be together, and when I can arrange this time I will notify Mr. Burt.

LABOUR CONDITIONS

CAPE BRETON ISLAND—CRASH TRAINING PROGRAM FOR UNEMPLOYED

On the orders of the day:

Mr. Robert Muir (Cape Breton North and Victoria): Mr. Speaker, my question refers to a matter which I raised on March 2 in a question to the right hon. Prime Minister in the absence of the Minister of Manpower and Immigration. At that time the Prime Minister said he would be glad to discuss the matter with the minister. I brought the matter to his attention again on March 10, reiterating that a massive crash training program should be established in Cape Breton to assist the unemployed steel workers and other unemployed. At that time the minister said "I think I can answer that question on Monday". Is he now in a position to reply?

Hon. Jean Marchand (Minister of Manpower and Immigration): Mr. Speaker, unfortunately I was not here on Monday, and I believe the hon. gentleman was not in the house on the following days. This is why I did not answer his question, and I hope he will forgive me.

The only answer I can give the hon. member is the one I gave on March 1 with relation to training in Cape Breton. I must repeat that my department has a waiting list of people for whose training we are willing to pay when the province whose responsibility it is to provide facilities for them can do so. The province is engaged in expanding the training facilities available. In the meantime we are doing all we can.

However, with reference to another kind of assistance, I have designated Sydney and Sydney Mines under the manpower and mobility regulations to enable workers who wish to move to receive grants immediately.

Mr. Muir (Cape Breton North and Victoria): I think the minister is quite right; I was away on a speaking engagement, and I thank him

for his co-operation. May I add that the reason for the large influx of unemployed on the labour market is the lack of policies on the part of this government. All it has to offer is a one way ticket out of the area in which the workers live.

Mr. Speaker: Order, please.

NATIONAL PARKS

ALBERTA—POSSIBLE TRANSFER OF PART OF WOOD BUFFALO PARK

On the orders of the day:

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, I wish to address a question to the Minister of Indian Affairs and Northern Development. In view of the increasing interest in the development of our national parks, and as a lifelong conservative, I wish to ask the minister a question. May I say that I am a conservative from a socialist point of view with respect to natural resources. Can the minister inform the house whether there have been any discussions between the minister and Premier Manning of Alberta with respect to the possible transfer of an area of Wood Buffalo park to the provincial government in return for an appropriate area of provincial land to be used as a second national park?

Mr. Speaker: Order. The question should be placed on the order paper.

NATIONAL DEFENCE

REPORTED CONCERN OVER CANADA'S ABILITY TO FULFIL COMMITMENTS

On the orders of the day:

Mr. Jack McIntosh (Swift Current-Maple Creek): Mr. Speaker, I have a question for the Acting Prime Minister. Would he advise the house whether the government has received any communications or representations from allied governments expressing concern that Canada will not be able to fulfil her alliance commitments in view of the unification program for our armed forces as described by the Minister of National Defence?

Hon. Paul Martin (Acting Prime Minister): No, sir.

Mr. McIntosh: May I ask a supplementary question. Is the Acting Prime Minister aware that representations have been made to Canada's former chief of the general staff, General Simonds, from allied military colleagues to the effect that they believe Canadians are nuts to continue with the unification program?

Mr. Speaker: Order. That question contains allegations that are not proper on orders of the day.

REPORTED WEARING OF NEW UNIFORM ON PARLIAMENT HILL

On the orders of the day:

Right Hon. J. G. Diefenbaker (Leader of the Opposition): Mr. Speaker, I would ask the Minister of National Defence if he would clear up the mystery surrounding the two people belonging to the armed forces who on Friday paraded in a green uniform on parliament hill and then were taken into custody by the military police. Were these two individuals gremlins, or were they actually giving a first view of the jolly green jumper which the unified force is to wear?

Mr. Speaker: Order, please.

Mr. Diefenbaker: Mr. Speaker, I cannot understand why we should not find out, even with help from the Minister of National Revenue who cannot look after himself. Can the Minister of National Defence answer whether this is indeed the kind of uniform that Canadians may expect for the three armed services?

Mr. Speaker: Order, please. I wonder whether the particular question asked by the right hon. Leader of the Opposition is one of immediate national emergency. I doubt it very much.

Mr. Diefenbaker: We want to know.

Mr. Harkness: A supplementary question—

Mr. Speaker: Order, please. The Chair has not accepted the question, so there cannot be a supplementary. The hon. member may wish to ask another question.

Mr. Donald MacInnis (Cape Breton South): Mr. Speaker, I should like to ask the Minister of National Defence under what authorization this uniform was worn.

Hon. Paul Hellyer (Minister of National Defence): Mr. Speaker, all uniforms are worn under the authority of the minister pursuant to the National Defence Act.

Mr. Diefenbaker: Then that is the uniform? That is what we want to know.

Mr. MacInnis (Cape Breton South): In the case of something new, would it not be necessary for a new order to issued? Was a new order authorized by the minister?

Mr. Hellyer: That is a hypothetical question.

EXPO '67

APPLICANTS FOR ACCOMMODATION QUERIED AS TO RACE

On the orders of the day:

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, may I direct a question to the Minister of Trade and Commerce. Is the minister aware of the advice being given by Logexpo to applicants for accommodation in Montreal during Expo '67 to the effect they should indicate their race? If so, will the minister use his good offices to see that this un-Canadian practice is brought to a halt?

Hon. Robert Winters (Minister of Trade and Commerce): I will look into it.

[*Translation*]

ROYAL CANADIAN MOUNTED POLICE

APPOINTMENT OF UNILINGUAL LIAISON OFFICER WITH EXPO '67

On the orders of the day:

Mr. Gilles Grégoire (Lapointe): Mr. Speaker, my question is intended for the hon. Solicitor General of Canada. I should like to ask him whether he has received a copy of a resolution passed by the general council of Expo '67 asking the recall of Inspector Riddell and the appointment of a bilingual inspector to replace him?

Mr. Speaker: I doubt very much that the question is of national urgency. Therefore, I ask the hon. member to kindly put it on the order paper.

Mr. Grégoire: Mr. Speaker, I shall put it at ten o'clock. But I felt it was important enough to be put at this time. Ministers are constantly being asked in this house whether they have received this or that resolution.

Mr. Speaker, I rise on a point of order. A while ago the Minister of Fisheries (Mr. Robichaud) mentioned that he had received a copy of a telegram from the president of the Society for the Prevention of Cruelty to Animals and you authorized him to read his reply thereto. Today, I ask whether the minister has received a resolution from the general council of Expo, asking—

Mr. Speaker: Order. The hon. member knows that, according to standing orders, if he feels that he is being treated unfairly and that the question is really urgent, he may bring the matter up for discussion on the adjournment motion.

Mr. Grégoire: Ten o'clock, Mr. Speaker, because I feel that there is an injustice and that there is every reason to study the problem.

Mr. Speaker: Order. May I remind the hon. member that the Chair can say there is injustice but that he cannot say so.

[*English*]

HOUSE OF COMMONS

REQUEST FOR INDICATION OF EASTER RECESS

On the orders of the day:

Hon. D. S. Harkness (Calgary North): Mr. Speaker, I wish to direct a question to the Acting Prime Minister. In view of the difficulties that members have in securing travel reservations, could the Acting Prime Minister indicate when the government intends to move to adjourn the house for the Easter recess?

Hon. Paul Martin (Acting Prime Minister): Mr. Speaker, I am sure I express the views of all members when I say we would all like to know when it would be possible for such a motion to be made. I express the hope that we will be able to co-operate and finish the work that the government feels should be dealt with within a very short time. Perhaps later today we could indicate just what day this week, if not tomorrow, such a motion could be made.

Mr. Starr: May I ask a supplementary question. Will the minister tell us when?

Mr. Martin (Essex East): My hon. friend and I have generally learned to co-operate. I am sure that with the co-operation he will give, I will be in a position soon to give a definite answer.

Mr. Starr: How much are you asking for?

GRAIN

REQUEST FOR STATEMENT ON NEGOTIATIONS RESPECTING INTERNATIONAL WHEAT AGREEMENT

On the orders of the day:

Mr. S. J. Korchinski (Mackenzie): Mr. Speaker, on Wednesday last the Minister of Trade and Commerce, in commenting on the

GATT negotiations affecting cereals indicated, as reported on page 14032 of *Hansard,* that progress was being made. However, the president of the Saskatchewan wheat pool has recently returned from Geneva and has indicated that not much progress had been made in the negotiations up to March 10. Can the minister elaborate on his apparent optimism which does not seem to be shared by Mr. Gibbings?

Mr. Speaker: The hon. member is asking for a statement and I do not think this is the kind of question that can be asked now.

Mr. Korchinski: Ten o'clock, Mr. Speaker.

EXTERNAL AFFAIRS

VIET NAM—SUPPORT FOR PEACE PROPOSALS BY U THANT

On the orders of the day:

Mr. David Lewis (York South): Mr. Speaker, I have a question for the Secretary of State for External Affairs. In view of the reported statement by the Secretary General of the United Nations that he is now proposing that his three conditions for beginning negotiations for peace in Viet Nam should be proceeded with simultaneously rather than consecutively, namely that an end of the bombing of North Viet Nam, de-escalation by North Viet Nam and talks looking toward peace should all be started at the same time, would the minister inform the house whether the government has informed both the Secretary General of the United Nations and the governments of the United States and Viet Nam of its support for U Thant's proposals?

Hon. Paul Martin (Secretary of State for External Affairs): Mr. Speaker, the Secretary General made it quite clear he was not going to give details of the plan he had in mind. The government is aware of that plan and had an opportunity of discussing it with a representative of the Secretary General in Ottawa. Other governments are familiar with the plan and the Canadian government fully accepts it. It is not, however, for the Canadian government to decide on the matter; it is for the parties to the conflict. I sincerely hope that the proposals, the details of which the Secretary General feels should not be disclosed at this stage, will be accepted and will facilitate the negotiations that we all desire.

[Mr. Korchinski.]

Mr. Lewis: A supplementary question. I appreciate that it is not up to Canada to start these things, but I should like to ask the minister whether Canada has expressed its approval to the governments concerned of the Secretary General's plans, whatever they may be, which he says he accepts.

Mr. Martin (Essex East): Yes, Mr. Speaker. My hon. friend outlined some details, and if I did not comment on them this is not to say that these proposed details do represent the proposition that the Secretary General has put forward. The government has made known its views to the governments concerned.

CANADIAN CENTENNIAL

COMMITTEE CONSIDERATION OF REPORT RESPECTING YOUTH SEMINAR

On the orders of the day:

Hon. W. G. Dinsdale (Brandon-Souris): Mr. Speaker, I have a question for the Secretary of State. In view of the recent speech by the Prime Minister urging a more positive participation in politics by Canadian youth, would the minister now call together the members of the ad hoc committee that was set up to assist in the preparation of such a program to be launched in our centennial year so we might consider the report submitted to her by the Canadian political youth council?

Hon. Judy V. LaMarsh (Secretary of State): Mr. Speaker, I will be glad to ask my parliamentary secretary to do so.

HIGHWAY SAFETY

REQUEST FOR FEDERAL SAFETY INSPECTORS IN AUTOMOBILE PLANTS

On the orders of the day:

Mr. Barry Mather (New Westminster): Mr. Speaker, I have a question I want to ask the Minister of Industry. Having in mind the continuing number of call-backs of faulty motor vehicles by Canadian plants—I understand that 105 Buicks have just been recalled—is any consideration being given to establishing a government inspection service in automobile plants in line with measures of public safety?

Hon. C. M. Drury (Minister of Industry): Mr. Speaker, that question is now being studied by the house committee on justice and legal affairs, and I do not think it would be appropriate for me to comment upon it.

[*Translation*]

INCOME TAX

NON-PAYMENT BY HEAD OF QUEBEC SEPARATIST MOVEMENT

On the orders of the day:

Mr. Raymond Langlois (Mégantic): Mr. Speaker, my question is directed to the Minister of National Revenue.

Following the statements made by Mr. Pierre Bourgault, to the effect that he has not paid his federal income tax for three years, and since the minister has been made aware of those facts, can he tell the house if some measures have been taken so that Mr. Bourgault will now pay his income tax like all the other Canadian citizens?

Mr. Speaker: That question is a repetition of a question which was asked last week.

Mr. Langlois: Mr. Speaker, I would not like to insist nor overtax your forbearance, but I believe that when the question was asked, the minister said that he would take it as notice. Is he in a position to give us an answer today?

Mr. Speaker: Order. I think that the minister answered the question which was asked at that time.

[*English*]

HOUSING

NEGOTIATIONS WITH ALCAN RESPECTING NEW PROCESS

On the orders of the day:

Mr. Donald MacInnis (Cape Breton South): Mr. Speaker, I have a question for the Minister of Labour but in his absence I will direct it to the Minister of Trade and Commerce. Have any negotiations been carried on with the ALCAN company with respect to a revolutionary process which would alleviate the housing shortage?

Hon. Robert Winters (Minister of Trade and Commerce): Mr. Speaker, not so far as the Department of Trade and Commerce is concerned. If there have been negotiations carried on by other departments I will find out and inform the hon. member.

CANADIAN NATIONAL RAILWAYS

REPORTED DELAY IN MOVING PRINCE EDWARD ISLAND POTATO CROP

On the orders of the day:

Mr. David MacDonald (Prince): Mr. Speaker, I have a question for the Minister of Transport which relates to the loss of many thousands of dollars in potato shipments from Prince Edward Island. Has the minister been able to ascertain in the past few days what difficulties have confronted the C.N.R. in providing adequate double reefer cars to deal with this serious situation?

Mr. Speaker: Order. I am wondering whether this is the type of question that would better be discussed on the adjournment debate.

Mr. MacDonald (Prince): With respect, Mr. Speaker, this is a matter of grave urgency as almost half the present potato crop on the island is awaiting shipment. Unless we receive an immediate reply we will be in a very serious situation.

Mr. Speaker: Very well; not being a specialist in potatoes I am easily convinced.

Hon. J. W. Pickersgill (Minister of Transport): Mr. Speaker, I think I am forced to agree with the hon. member that the question does appear to be more urgent than many which have been asked today. There has been some difficulty in the port of Saint John, I understand, with the handling of cars and there was a back-up there which I believe has now been corrected. There was also, I regret to say, some shortage of motive power and the C.N.R. has said that it will do its utmost to correct that shortage as quickly as possible. All of this adds up to the fact that there is a lot more traffic than usual at this time of year, and I think for that we are all thankful.

AGRICULTURE

MANITOBA—REPORTED EDUCATIONAL CONDITION IN ARDA AGREEMENT

On the orders of the day:

Mr. David Orlikow (Winnipeg North): Mr. Speaker, I should like to direct a question to the Minister of Forestry. Has the federal government, in the projected ARDA agreement with the province of Manitoba, made it an essential condition of the agreement that there would be a dramatic improvement and change in the educational structure of the affected area?

Hon. Maurice Sauvé (Minister of Forestry and Rural Development): Mr. Speaker, for that particular region there was no such requirement at any time.

Mr. Orlikow: A supplementary question. Is the minister aware that the premier of the

province of Manitoba has blamed on the federal government the lack of a referendum in that particular area during the recent election campaign?

Mr. Speaker: Order. That question is not in order.

HEALTH AND WELFARE

MEDICARE—CONSIDERATION AT DOMINION-PROVINCIAL CONFERENCE

On the orders of the day:

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, may I direct a question to the Minister of National Health and Welfare. My question relates to the announcement of a conference to be held shortly between the federal government and the provincial governments with respect to medicare. May I ask the minister whether at this conference it will be possible for the provincial ministers of health to discuss the possibility of bringing medicare into effect at a date earlier than July 1, 1968?

Hon. A. J. MacEachen (Minister of National Health and Welfare): Mr. Speaker, there will be nothing to prevent the ministers from raising any subject relevant to the statute that we will be discussing.

BANK ACT

DECENNIAL REVISION AND EXTENSION OF CHARTERS

The house resumed, from Friday, March 17, consideration in committee of Bill No. C-222, respecting banks and banking—Mr. Sharp—Mr. Batten in the chair.

The Chairman: Order. When the committee rose on Friday, March 17, clause 72 of the bill was under consideration. The following clauses had been allowed to stand: 1, 29, 33, and 52 to 57 inclusive.

On clause 72—*Cash reserve.*

Mr. Lambert: Mr. Chairman, I wondêr whether the minister is ready to deal with clause 29, because I believe he has a proposal to make with regard to that clause. The minister will remember that I had raised a point on clause 29 (2) (b), and I think he may be able to propose something which is entirely acceptable.

Mr. Sharp: I am prepared to revert to it, Mr. Chairman, but I do not have the text of the amendment with me now, though I will in a few moments. It would suit me to continue with clause 72.

• (3:50 p.m.)

Mr. Lambert: I am wondering about the clauses in the group from No. 52 to 57 and also about clause 33 which is tied in with the 52 to 57 group. The hon. member for Essex West and I believe the hon. member for Verdun have an amendment tying in with the clauses in the 52 to 57 group. I have some amendments to clause 72. I think we should go back to clause 29 which is non-controversial. If the minister will inform the committee what is proposed to be done with respect to this clause we shall allow it to pass.

Mr. Sharp: Mr. Chairman, the purport of the amendment is simply to eliminate subclause 2(b).

Mr. Lambert: That is perfectly all right.

[*Translation*]

Mr. Latulippe: Mr. Chairman—

[*English*]

The Chairman: Order, please. Does the committee wish to proceed with clause 72?

Mr. Lambert: I thought it would be No. 52.

[*Translation*]

Mr. Latulippe: Mr. Chairman, with regard to clause 72, I had informed the Chair, last Thursday—

[*English*]

The Chairman: Order, please. Does the committee wish to proceed with clause 72 or to revert to clause 29?

An hon. Member: To revert to clause 29.

Mr. Langlois (Mégantic): Mr. Chairman, I think the hon. member for Compton-Frontenac wishes to continue with clause 69 which was being discussed, I presume, last Friday.

The Chairman: When the committee rose on Friday afternoon clause 72 was being discussed, clause 69 having been carried.

Mr. Lambert: With regard to clause 72 I said on Friday that I was unhappy with the increase of the primary reserve on demand liabilities to 12 per cent, though I was glad to see the statutory reserve being reduced to 4 per cent with regard to liabilities payable after notice. It is my view, and I said this on Friday, that it is adequate to maintain the statutory reserve for demand liabilities at 8

per cent. In particular there is enshrined in the clause and in the bill a secondary reserve, which is something that did not exist before. In addition, since we discussed reserves on second reading and before that on the resolution stage, we have had the passage into law of deposit insurance which lessens the requirement for liquidity for which reserves serve the purpose. I agree that the banks can get along with somewhat less than 5 per cent in reserves. If there were no statutory requirements the banks' reserves would be about 5 per cent. Conditions have changed since this bill was drafted. As I have pointed out, we have deposit insurance, which is not now to come into force, and also the further secondary reserve called for the paragraph(4).

Third, the governor of the Bank of Canada proposes to have bimonthly averaging. It seems to me quite improper to continue to insist, or to provide, that demand deposit liabilities should be backed by a 12 per cent reserve. I shall therefore propose an amendment, Mr. Chairman, whereby the 12 per cent shall read 8 per cent with regard to demand deposit liabilities. In addition thereto, there will be certain consequential amendments for the transitional period.

I also propose to move another amendment—perhaps I am anticipating that the minister will not accept the proposal I made to him privately and again on Friday—that there be a ceiling of 8 per cent and 4 per cent, that there be given to the governor of the Bank of Canada a further tool for flexibility in maintaining the amount of money in circulation in the country. The governor of the Bank of Canada would thereby be allowed under appropriate circumstances, rather than entering the bond market and purchasing securities from the banks and thereby creating the means whereby more money, that is, cash, could be put into circulation, to reduce either or both of the statutory reserve limits. Instead of having them at 8 per cent they could be reduced against demand deposit liabilities to 7½ per cent or, if something different were wanted, they could be reduced to 3½ per cent against deposit liabilities. The latter provision is actively in vogue in the United States. Unfortunately the minister has not expressed his views in this connection.

I have two amendments which I wish to put forward to the committee for consideration. I move:

That clause 72 of Bill C-222 be amended by (1) In subclause (1) (a), deleting the word "twelve" and substituting the word "eight".

(2) In subclause (2) by deleting in subparagraph (a) thereof all the words after the words "months and" in line 28.

[*Translation*]

Mr. Latulippe: Mr. Chairman, before you accept this amendment, I should like to say a few words.

Mr. Lambert: It has to be accepted first, then you may discuss it.

Mr. Latulippe: It is because I should like to return to clause 69. On a point of order, Mr. Chairman.

[*English*]

The Chairman: Order, please.

Mr. Langlois (Mégantic): Mr. Chairman, I think a point of order has been raised.

The Chairman: I shall hear the hon. member for Compton-Frontenac.

[*Translation*]

Mr. Latulippe: Mr. Chairman, some clauses were passed fairly quickly last Friday and when you called clause 69, the hon. member for Edmonton West rose from his seat. I thought he was going to speak on clause 69 but he started on clause 72.

I had an amendment to move on clause 69 and I did not have the opportunity to put it forward.

• (4:00 p.m.)

[*English*]

The Chairman: Order. I should advise the hon. member for Compton-Frontenac that clause 69 was passed on Friday. The one now before the committee is clause 72.

[*Translation*]

Mr. Latulippe: I know, Mr. Chairman, that it was passed but I did not have the opportunity to speak, you did not recognize me. Moreover, you knew that the clause was being studied and you had before you a brief showing that I had an amendment to move. You called the clause so rapidly that the hon. member for Edmonton West rose before I had time to speak. When the hon. member rose, I thought he was going to deal with clause 69. You called the clause and as soon as he rose, clause 72 was called and so he spoke on clause 72. I did not have any time at all to set forth my argument. Therefore, with the permission of the house, I should like to come back to clause 69 and move my amendment.

[*English*]

Mr. Sharp: I certainly have no objection if we re-open clause 69. I can understand that the hon. member may have overlooked an opportunity or that inadvertently he was denied an opportunity to speak. I am sure he was not denied purposely but I suggest we should proceed with our discussion of clause 72 now.

The Chairman: Does the committee agree to continue with the discussion of clause 72 and then return to clause 69?

Mr. Cameron (Nanaimo-Cowichan-The Islands): Mr. Chairman, I do not know whether this is a point of order, but I would like to ask the hon. member for Edmonton West whether the copy of his amendment that I have is really correct. I do not want to be rude but to be quite frank it really does not make sense.

Mr. Lambert: I know that sometimes the hon. member is rather coy.

Mr. Cameron (Nanaimo-Cowichan-The Islands): I am not being coy now. It just does not make sense.

Mr. Lambert: The amendment merely proposes to substitute the word "eight" for the word "twelve" in line 18.

Mr. Cameron (Nanaimo-Cowichan-The Islands): Yes, but the next one?

Mr. Lambert: But then there is the transition period. It shall continue.

Mr. Cameron (Nanaimo-Cowichan-The Islands): But that is not in the copy that has been distributed.

Mr. Lambert: For a period of two months.

Mr. Cameron (Nanaimo-Cowichan-The Islands): Two months "and".

Mr. Lambert: And then you follow with subclause (b) covering term deposits. Of course the word "and" must follow at that point. If the hon. member checks it over he will see first of all that there is a transition period with regard to demand deposit liabilities and then a transition period with regard to notice deposit liabilities. They are different, but I am limiting my amendment merely to demand deposit liabilities. I am not touching the transition period with regard to notice deposit liabilities. I think the hon. member will find that my amendment is couched in the right terms.

[Mr. Latulippe.]

Mr. Lewis: May I ask the hon. member to explain his amendment? If the committee accepts the first part of the amendment and the requirement for demand deposit liabilities is made 8 per cent, why do you need to state that the 8 per cent will remain in force for two months? Presumably it will remain forever.

Mr. Lambert: No, because there happens to be a transition period. It is merely indicated. I suppose you might say it may be somewhat in excess but it still shows that there will be this transitional period as it follows along within the proposed clause in the bill to show that there will be the same action taken with regard to demand deposit liabilities and then, after the two months, with regard to notice deposit liabilities. The other amendment I have, if the committee accepts my substitution of "eight" for "twelve", will follow along to give a degree of flexibility to the "eight" and "four".

[*Translation*]

Mr. Caouette: Mr. Chairman, it might be important that the hon. member for Edmonton West (Mr. Lambert) tell us the reason for his amendment to reduce from 12 to 8 per cent the amount of reserves held by the Bank of Canada for chartered banks.

Is it his intention to enlarge, to increase the power of chartered banks for a period of transition of two months? What more will that give?

It seems to me that the hon. member is not very specific when explaining why bank reserves should be reduced from 12 to 8 per cent. With 8 per cent, banks would have more lending power for a period of two months than they would have with 12 per cent as required in the present clause. If they have to maintain 12 per cent, it is obvious that their lending power will be less than with 8 per cent. Will the hon. member be more explicit.

Mr. Lambert: Mr. Chairman, I would have hoped that the hon. member for Villeneuve (Mr. Caouette) had been here at the outset of my explanation to judge whether or not my reasons for proposing a reduction from 12 to 8 per cent, as suggested in the bill, are justified.

After all, the proposal under clause 72(1)(a) is, in fact, an increase, since today the Bank Act requires a cash reserve of 8 per cent

against any deposit. The legislation, as proposed by the minister, provides for an increase from 8 to 12. Consequently, that is a reduction—how would I put it—of the freedom of the banks in this field of demand deposits, but on savings deposits or notice deposits, a reduction from 8 to 4 per cent is proposed because there is no demand period and no need to have the same degree of liquidity.

I contend that the present circumstances do not require an increase from 8 to 12 per cent, since, in the first place, as I have indicated, clause 72(4) of the bill contains a second statutory reserve. Second, we have passed the legislation to establish the Canada Deposit Insurance Corporation.

Mr. Lewis: A second discretionary reserve, is it not?

Mr. Lambert: Yes, it is discretionary, but it did not come about in the bill under consideration today. At the present time, the governor of the Bank of Canada has the power, under the act, as proposed, to set up that second reserve.

Today, that is what we call a gentleman's agreement. That is why I will say that it is not necessary to increase the reserve requirement from 8 to 12 per cent and that the 8 per cent rate could be maintained.

Furthermore, as I indicated, we wanted a little more flexibility and at the present time, under appropriate conditions, the governor of the Bank of Canada could establish those reserves at less than 8 and 4 per cent, if necessary, instead of printing money as stated by some people, I am assured that some people say that. What he does today is to buy the currency held by the banks and to increase the bank reserves in cash and deposits, in the Bank of Canada, the total of their deposits and of their loans is therefore extended and increased.

I would like to introduce a further degree of flexibility. It has not yet been proposed as a second amendment but we have first to establish the amounts at 8 and 4 per cent, I shall come back then with my second amendment.

Mr. Chairman, I do hope that I have explained exactly what I had in mind, for the information of the hon. member for Villeneuve.

• (4:10 p.m.)

[*English*]

Mr. Leboe: Mr. Chairman, as I recall the committee hearings, no firm opinion was expressed in connection with the clause now before us. It appears that during the last 15 years a flexible reserve of between 8 and 12 per cent has been in existence in accordance with the Bank Act. The evidence before the committee showed that although during all those years there was the possibility of change, it was in fact unnecessary to do so. The other reserves were fixed on the basis of persuasion and varied from time to time in accordance with the wishes of the governor of the Bank of Canada. The banks themselves agreed to vary their secondary reserves.

One of the recommendations of the committee covers a multitude of sins in connection with the Bank Act. It is only fair to say there are a good many things we cannot anticipate because we do not know what the future will bring. With the idea, therefore, that experience will teach us along the way, the committee suggested in its report—I should like to read this recommendation in order to bring some substance to the position I take—that a different approach be made. It said:

> Your committee recognizes the value of regular or decennial revisions of the Bank Act, the Bank of Canada Act, and the Quebec Savings Banks Act but believes that these should not prevent this committee carrying out special studies on subjects related to these Acts, and amendments being made to them from time to time if such become necessary in the interval.

We could dispute long and loud in this committee on many fine points with regard to which we have no experience which would enable us to form an opinion whether we were indeed taking the best possible course. The recommendations of the committee, if carried out, would meet this problem. As soon as it was found that something in the Bank Act needed revision the necessary adjustments could be made. In the light of the evidence before the committee that opinion on this particular matter has not crystallized I would just as soon wait, let the Bank Act function, and then put the matter before the committee if hardship arises or corrections need to be made.

Mr. Cameron (Nanaimo-Cowichan-The Islands): Mr. Chairman, I do not intend to take up much time of the committee on this matter. I would merely point out that the effect of the new section if adopted—I am not referring to the amendment proposed by the hon. member for Edmonton West—would be

to reduce the percentage of cash reserves required from 8 per cent to 6.6 per cent. The actual amount may, of course, vary from time to time depending on the portfolio carried by the banks, but I do not think there will be any great difference over a short period of time. Thus we have provision for a substantial decrease in the statutory cash reserves and I would think that in a case of this sort we should be guided by the advice of the governor of the Bank of Canada and the inspector general of banks who both supported this new provision.

With regard to the new statutory requirement for secondary reserves, I would point out that it has been the practice of the banks for a great many years, as far as I have been able to ascertain, to keep liquid asset reserves at a much higher level than that agreed upon with the governor of the Bank of Canada. The governor sought to get agreement to maintain them at 15 per cent but for a number of years the banks have maintained them at 17 per cent. I believe this information is correct.

I doubt, therefore, that the banks can be considered to be very hard done by in this instance. Indeed, I would say that if the governor of the Bank of Canada is the source of the advice upon which this amendment is based, and I suppose he is, he has gone quite a long way in recommending a reduction from 8 per cent to 6.6 per cent in cash reserves, and I would be altogether opposed to the amendment introduced by the hon. member for Edmonton West.

[*Translation*]

Mr. Caouette: Mr. Chairman, further with regard to this amendment designed to reduce a bank reserve from 12 to 8 per cent of its deposit liabilities payable on demand in Canadian currency, it seems to me the hon. member could have submitted his amendment in another form, so as to require the Bank of Canada to give 100 per cent credit and banks to have a 100 per cent reserve when they make loans.

I wish to call the minister's attention to section 72, as well as to the amendment.

Suppose that I applied for a $1000 loan at a chartered bank and the manager complied with my request or accepted my guarantees for a $1000 loan, not one bank account is affected then. Other people's accounts are not reduced when mine is opened.

I deposit the $1000 in my savings account, and then chartered banks are allowed to use

[Mr. Cameron (Nanaimo-Cowichan-The Islands).]

that money as a 12 or 8 per cent reserve. This also enables them to multiply my loan by 12½, or 8, depending on the reserve rate.

• (4:20 p.m.)

Therefore, possibilities are practically unlimited, since chartered banks are in no way restricted from lending any amount. There is no limit because through the credit created it is still possible to create deposits, deposit liabilities. I appreciate the interaction of debit and credit, but the debit, or what I owe, is $1000, and the bank has the right to loan $12,000 even though my savings account amounts to $1000. That is how Canada, the whole country, is financially controlled.

Rather than requiring through an amendment an 8 per cent instead of 12 per cent reserve of the deposit liabilities—the banking system is given even more power—I believe the Bank of Canada should be ordered to create the credit necessary in the country. I do not see any danger of inflation, in spite of the fears often expressed by the Minister of Finance (Mr. Sharp). Why should there be more inflation if the Bank of Canada created credit instead of the chartered banks?

There is inflation now, when the chartered banks are told they may multiply their deposit liabilities by 12 or by 8 and charge interest on them. That interest is then definitely inflationary. It is the present system which creates inflation, not our suggestion that the Bank of Canada, which is our financial institution, should be used.

Mr. Chairman, I feel it is useless for us to accept this amendment which seeks to lower the reserves of the chartered banks from 12 to 8 per cent, especially when we, members of the Ralliement Creditiste, are fighting in this house against this financial control which is in the hands of a group of individuals.

We are discussing legislation which will be in force for the next ten years and we are asked to adopt the whole thing in a flash. It is much more serious than that, Mr. Chairman, and the amendment of the hon. member for Edmonton West cannot be accepted by us at this time.

What we are asking is that the Bank of Canada control the issue of money, credit and money supply in Canada instead of leaving this privilege in the hands of a group of private citizens called the chartered banks of Canada.

I think the minister could tell us at this point what is the limit of the banking system

at the present time? There is no limit, even though it may be set at 12, 10, 8, or 4 per cent, it does not matter if the chartered banks are allowed to use their deposit liabilities as reserves with the Bank of Canada to multiply it later 8, 10, 12 and even 15 times. There is no limit because any credit coming out of, or accepted by the bank may, through a simple gesture, or by pen being put to paper, create deposit liabilities from the very moment the loan is granted and thus create inflation.

Mr. Tremblay: Mr. Chairman, this amendment of the reserves of chartered banks cannot be considered separately, without reference to the part reserves play in the operations of chartered banks.

The hon. member for Villeneuve (Mr. Caouette), after many other Social Credit speakers, raised the problems of reserves, 100 per cent at the chartered bank level, and by the same token stated that the central bank should assume full responsibility for the national debt instead of chartered banks.

Those two proposals go together. They have been put forward many times in this debate by the hon. member for Lapointe (Mr. Grégoire) and they would simply result in a situation where chartered banks would be obliged to have on deposit with the central bank or in cash one dollar for every dollar loaned.

Then, instead of what we have known for centuries, bank credit would simply replace the old bank-note method for transactions. We would have banks which from now on would merely make entries in their books, that is which would place at the disposal of the population an instrument of credit that would be exactly the same as the bank-note was for all transactions previously.

Replacing bank-notes by bank credit has allowed not only for an increase in currency to do business but also made it possible to do it more easily, and even from afar, and for huge amounts, etc. Everyone agrees that it has meant progress in the banking field throughout the world.

That is why the chartered and commercial banks must be allowed to maintain credit instead of keeping the old methods used in the past.

But to enable the chartered and commercial banks to continue doing business, they must be left free to some extent to grant credit as they see fit to those seeking it.

And, as a matter of fact, clause 72 now under consideration sets the reserves that our chartered and commercial banks should keep. As stated earlier, the present method provides for a limit that ranges from 8 to 12 per cent; some variation was possible, depending upon the authority given to the central bank. According to the legislation introduced in this house. This reserve is now divided into two categories, one for demand deposits and one for term deposits.

The total effect of this variation, of this increase from eight to 12 and of this drop, in the other case, from eight to four, is that the average reserves will, in the present circumstances, amount to about 6.6 per cent. Therefore this means a drop in the average reserves of the chartered banks as a whole. This drop will, of course, allow the chartered banks, with their present reserves, collectively to create more bank credit or to facilitate credit. Of course, everything will depend upon the attitude of the central bank, following the enactment of this legislation, with respect to the reserves which will be left in the hands of the chartered banks. Either by its authority over the variation of the reserves, or by another and more usual operation which is called the open market policy and which involves the purchase and sale of government issues on the market, the central bank will still be able to siphon part of the reserves available to the chartered banks.

At any rate, to form an opinion on the reserves available to the chartered banks, one has to remember how financial reserves are meant to be used.

Their first and most obvious use, which strikes us immediately and which was emphasized by the hon. member for Edmonton West (Mr. Lambert), is that of liquidity. In other words, the chartered banks are required to keep part of their assets in the form of cash deposits at the central bank so that should customers ask that their deposits be converted into liquid money, the chartered bank will be able to fulfil its obligation toward its depositors. And just from the point of view of liquidity, it must be said that the reserve should exceed the normal needs of the customers with regard to the conversion of their deposits in bills.

• (4:30 p.m.)

That purpose of liquidity also forces the banks to keep their reserves as low as possible, due allowance being made for its needs, to ensure as well reasonable profits.

Now, that is but one of the purposes of the bank reserve. The other purpose, on which

the authorities of the central bank rightly insist, is that of controlling credit through the bank reserve.

From the time there is a central institution, that is a central bank, and this central bank is entrusted with the task of establishing the level of money which best suits the economy under given circumstances, in view of the goals already enumerated which are those of the central bank, it is then necessary that the level of the reserves of the chartered banks be such that the central bank can fulfil its controlling functions.

Should the reserves be too high, or too low, the efficiency of the central bank with regard to the chartered banks is threatened. The authorities of the central bank recommended to the committee a rate of 12 per cent in the case of deposits on demand as the one which best guaranteed its efficient control over chartered banks with regard to their assets on demand; and a reserve of 4 per cent in the case of term deposits as sufficient to ensure the central bank's efficient control over chartered banks.

Therefore, we see that the subdivision of the two rates is made because the behaviour of chartered banks is different and also because the effectiveness of the central bank control depends on whether it is based on term deposits or on demand deposits. Finally, it is because such reserves are also closely related to what is called the handling of the public debt.

In view of the fact that this is the most current and most effective method used by the central bank to exercise its own control, which is essential, in view of its functions with regard to chartered banks, the handling of the public debt, that is the purchase or the sale of government securities on the market, for the very purpose of creating reserves or of removing reserves within the portfolios of chartered banks, is absolutely essential within the present structures. So, it is essential that such determination of reserve rates be the same for all chartered banks. In view of the existing portfolios at the central bank level, it is essential that such determination be made here in the light of the objectives that the central bank may have in connection with the interest rates which must exist within the economy itself as a whole, because all this is related. The central bank can in no way handle the public debt without first affecting the reserves of the chartered banks and causing a substantial fluctuation of interest rates on the market. Now, as those interest rates are very closely related to the yield of government bonds on the market, it is absolutely essential that the determination of the reserves of chartered banks should take into account the effects which the measures taken by the central bank to maintain such legal rates might mean. Hence the importance of the evidence given before the committee by the governor of the Bank of Canada about the rates which, in his opinion, should be applied in practice to the chartered banks. Those three elements, namely liquidity, the control of reserves and money in circulation and the handling of the public debt, must be taken into account. If they were, it would seem that the authorities of the Bank of Canada are in favour of a split rate from now on, a higher rate for reserves on current accounts and a lower rate for term accounts. And if an average of approximately 6.6 per cent is maintained, it seems likely, according to the authorities of the Bank of Canada, that the three objectives I mentioned would enable it to play its role which, in my opinion, is the most important element to control money within the chartered banks themselves.

[Mr. Tremblay.]

Mr. Langlois (Mégantic): Mr. Chairman, I may well be fully in accord with the previous speaker who has made a brilliant outline of the operation of the present system, but because it is the present system, it does not necessarily ensue that it is the best.

It is perfectly clear that the former minister, with his academic knowledge as an economist, knows the present system. It is also because of our knowledge of the present system that we are in a position to detect its weaknesses and its mistakes.

I agree with the closing words of the hon. member when he said that reserves are the means through which the Bank of Canada, on the whole, controls the whole credit and the economy of Canada.

Obviously, it is one way of controlling things. They can be controlled by maintaining a reserve of 8 per cent, or of 12 per cent. They can also be controlled by having a 50 per cent reserve or even a 100 per cent reserve. They can be controlled also without any reserve whatever. It is a means, not an end. There is nevertheless a certain difference between the two. The views expressed a minute ago by the hon. member for Villeneuve (Mr. Caouette) in his statement must be understood. He indicated that this did not mean that the Bank of Canada or the chartered banks should necessarily have 100 per cent in cash.

Mr. Tremblay: Or on deposit.

Mr. Langlois (Mégantic): Yes, 100 per cent or on deposit.

Mr. Caouette: Yes, but in cash or on deposit is not the same thing.

Mr. Langlois (Mégantic): It is not the same thing. So why give the control of the creation of such credit as the chartered banks now control to private institutions? Why not keep it? Chartered banks are certainly private institutions, whereas the publicly owned bank is the Bank of Canada. Why should such credit bear interest from its very inception when the Bank of Canada could take control, just as the chartered banks, of the creation of credit as well as the creation of paper money? I should point out to the hon. member that legal tender, whether credit, paper money or coins, is a conventional symbol accepted between individuals within a community for the exchange of goods and services. So that it is not goods, nor services, but an agreed symbol, a representation of the value of the goods exchanged.

On the other hand, if the control of this means of exchange is left in the hands of private institutions, it will be said: "The Bank of Canada controls the issues." Yes, very well, it controls the issues but it does not control the interest due in the long run, which is constituted by our national debt which we call mostly interest nor all the money now being created nor the interest-bearing credit forthcoming from the chartered banks, which now makes up the greater part of our national debt. Since it bears interest from its inception, how can we pay it back when it has never been created or issued as paper money or as coin? The time comes when someone has to carry the debt and, in the present circumstances, it is the federal government.

Why does the government not completely take over those credit issues through the Bank of Canada, charging a low rate of interest or operating costs, since it is a means of distributing goods and services within the country rather than the country's production? The government's role is to distribute goods and services according to the needs of every Canadian citizen. At present, distribution is restricted. The government is restricted with regard to the distribution of such goods and services through the control exerted by the chartered banks over currency, the creation of money and credit. It will be even more restricted under this bill.

Mr. Chairman, the statement made earlier by the hon. member is very well-founded in the present situation, but this does not mean it is the best system. It does not mean either that we should return to the former gold standard system which caused trouble to everybody. It does not mean either that the paper on which money is printed is worth something in itself. Money is worth something because it represents goods and services produced by the Canadian people. When the government issues a bond and the bank purchases it, it immediately becomes a deposit liability which enables the banks to create, if the reserve is fixed at 8 per cent, 12 times and a half as much credit as the bond purchased from the government.

• (4:40 p.m.)

This means that the government itself has to borrow from private institutions, is dependent upon them and that even a government bond is a source of interest for them. That is the vicious circle of the present system. Whether the system operates with a 100 per cent reserve or with no reserve being fixed by the Bank of Canada, I do not care either way, but the entire system should come under the complete charge and responsibility of the Bank of Canada, and that the chartered banks operate as any other lending institution in our country. That is all they have to do and if they cannot operate that way, then let the government use the Bank of Canada with its branches to look after the operation of our economy, to see to it that the proper equipoise is always maintained between production, services and natural resources and that our economic assets balance exactly our economic liabilities. That would allow us to operate a little more intelligently. At present, we endow chartered banks with

the power of creation, and it is somewhat ridiculous that any credit, any money coming out of a chartered bank bears interest. That means that, at 5 per cent—today it is 6 and 7 per cent and even more—it will not take 20 years before the chartered bank has gotten back all it has lent and we will still owe it twice as much. At 5 per cent, it would be twice as much.

Mr. Chairman, I would like the hon. Minister of Finance to give me, in another field, a power similar to the present power of chartered banks. I can assure him, that in 20 years, I shall own his house, and he will owe me another one, besides. Let him give me the control—

[*English*]

Mr. Sharp: May I ask then why the hon. member does not get some of his friends together and apply for a charter? I think he would have as much difficulty selling stock as some other people in the country who have recently obtained charters for banks. He will find it is not quite as easy and not quite as much of a gold mine as he thinks.

Mr. Langlois (Mégantic): I agree with what the minister has said but I am not asking for a charter. I am asking him to ask the government to give me a charter similar to the one granted to the chartered banks, one which would give me control of all the construction bricks in Canada. I will not sell these bricks but lend them to him at 5 per cent interest. In 20 years time he will have to give me back all my bricks and on top of that I will probably have a mortgage on his house for its total value, so that I will have both house and bricks.

This is the way in which the present system works. Credit is given at an interest rate so that one has to pay back the capital and the interest. Where will the interest come from? This is where the national debt comes in.

Why does the Bank of Canada not give the same privileges which it accords to chartered banks? The purpose of the chartered banks is to make money; they do not work for anybody else. If they have to do so at the expense of the Canadian nation, they will do it. Even the government is at their mercy. It is the chartered banks which are now in control. When the government loses control over credit one might say it loses control over everything. I think the minister knows very well that the Bank of Canada could fulfil the same obligations as the chartered banks if only it carried out a different policy. The government could require the chartered banks to have reserves of 50 per cent before being allowed to make loans, as is required of the credit unions. Money is not a goal; it is only a means by which goods and services can be distributed. Means of distribution should be available for as many goods and services as there are in the country. Our financial system should enable the purchasing of goods and services.

A comparison could be drawn between the value of the dollar and weights and measures. A foot is always 12 inches long and a pound is always 16 ounces. They cannot be anything else. If anybody in Canada wanted to fool around with the pound he would be in trouble. Similarly the value of the dollar cannot be changed. The dollar is a basic value, and the only reason why the monetary value changes is that somebody speculates. The minister knows quite well that if the Bank of Canada were given more responsibility we could start reducing our national debt because at present the government cannot operate public services without paying interest on the money it borrows. As far as I am concerned this makes no sense at all.

What the hon. member for Matapédia-Matane has said about the present system is quite true. Our goal should be to satisfy the needs of all Canadians and to distribute goods and services. It is not sufficient to permit the distribution of these goods and services. It is the system which should be changed and not human nature. The present system might have been quite satisfactory a century ago when the problem was not the distribution of goods but their production. Today this problem has been solved and now we have to provide the necessary means for the distribution of goods and services. At the present time this is controlled by a small group, the chartered banks. I should like to see the Bank of Canada become the bank of the people. This would ensure that Canadian production was distributed interest free and not paid for twice.

[*Translation*]

• (4:50 p.m.)

Mr. Tremblay: Mr. Chairman, the hon. member was right in pointing out that I only spoke of what happens within the present system.

The reason for that is simply that I never accepted the creditist doctrine which tries to make people think that the present financial

system arbitrarily limits the physical possibilities of production in the economy.

Mr. Chairman, in my opinion what distinguishes our Creditiste friends from all the other members of this house, and the reason why we will never understand each other, is that our Creditiste friends believe in what is known as the doctrine of plenty. They believe that the production of goods need have no limit provided unlimited funds are put at the disposal—

Mr. Caouette: No, no.

Mr. Langlois (Mégantic): No, there is a correction to be made there.

Mr. Tremblay: —of the people; this country would then become a paradise on earth.

Mr. Chairman, we do not believe in that possibility; that is why on any of these points, we cannot—

Mr. Grégoire: Mr. Chairman, may I put a question to the hon. member?

Mr. Tremblay: Mr. Chairman, for two weeks we have been listening to Creditists in this house; I think they could allow us to take part in the debate now.

Mr. Grégoire: I only wanted to put a question to the hon. member.

Mr. Tremblay: At the end of my remarks, Mr. Chairman, I will have no objection to the hon. member putting his question, but I think we need a minimum of time to tell our Creditiste friends why we are not in agreement with them on any of the points they raised during this debate, nor on the amount of money that has to be created in our economy, nor on the handling of the public debt by the central bank, nor on the possibility of eliminating the interest on the public debt, and so on.

The reason is, Mr. Chairman, that we are not living in the same world as they are. Creditists are like Martians who would come to this planet and tell us: "We come from a different world where economic laws are entirely different from those prevailing on earth." We would be told of the need for us to shrink to the size of those little green men supposedly coming from Mars and that it would then be easier to live on earth.

Yet, for 2,000 years or more now, there have been monetary operations and men have built a world, generation after generation, have worked out the monetary system which is now ours; developments are still possible in certain circumstances but one cannot make a clean sweep of the economic and monetary laws which have existed for centuries and create overnight a completely new financial system.

The basic difference, Mr. Chairman, as I said at the beginning, between the Social Crediters or the advocates of an economy of abundance and ourselves is that we believe that there exists at a given time with a given volume of productive resources and a given productivity, a maximum national production.

Whatever may be the monetary transactions which could be made, we cannot produce more at a given time than let us say—let us mention a figure—$60, $65 or $70 billion of goods and services.

If that production is to be increased, it is necessary to have more productive resources, manpower, forests, farms and so forth, or still increase productivity, that is use more efficiently each of those available resources.

Mr. Latulippe: You would rather let the people remain unemployed.

Mr. Tremblay: Under those circumstances, Mr. Chairman, our economy must be organized so that resources—

Mr. Latulippe: You have no products—

Mr. Tremblay: Mr. Chairman, I would ask the hon. member for Compton-Frontenac (Mr. Latulippe), whom we have heard for two weeks, to listen now, because he was complaining that he had not received all the answers to his questions in the committee on finance, trade and economic affairs. I do understand his frustration, if he was hoping that he would be given a course in economics, for usually members are supposed to throw light on the matter in hand and not to be told what's what by bank directors or governors.

Today, the hon. member has an opportunity to quench his thirst for truth; I therefore bid him to be silent and to listen; if, later, he wishes to take part in the debate, I will gladly give him the floor.

Mr. Chairman, under these conditions, at a given time, there is a maximum amount of money which must be put into circulation,

and it is the duty of the Bank of Canada to make available to the people the currency to insure this maximum production.

I submit that it is the responsibility which has always been assumed by the Bank of Canada, and it is its function precisely to make available to the people the amount of money necessary to achieve that maximum production.

We almost have that maximum production. What is the number of unemployed in Canada at the present time?

Mr. Grégoire: 140,000 in Quebec.

Mr. Tremblay: 3.6 per cent of the active labour force is unemployed on the average.

Mr. Caouette: 400,000 unemployed in Canada.

Mr. Tremblay: But those unemployed, Mr. Chairman, may be idle because of physical conditions, such as the weather which prevents them from working. Those people may be unemployed, because they have left a position and want to go and find another one; those people may be unemployed because they do not have the necessary training to fill all the positions required by the technical production apparatus which we have developed.

Under the circumstances, Mr. Chairman, it is not surprising that we have a certain proportion of unemployed in our economy, and everyone must make an effort to reduce that percentage. Nobody is happy with the number of unemployed, even if it is only 3.6 per cent within the economy.

But it is not through monetary manipulation that we are going, on the one hand, to stop the seasons in Canada, that we are trying to prevent the necessary constant transfer of the labour force from depressed to developing sectors. Monetary manipulations will not succeed in creating among the people, the necessary technical knowledge required by modern technology. Those are all the measures which must be taken to reduce unemployment, and not to create artificial money which would only be a source of confusion within the economy.

That is the difference, Mr. Chairman, between the Creditistes and all the other members of this house whatever the party they belong to, toward that basic problem which is called the creation of money.

The moment we agree that the quantity of money must be limited, that an authority such as the Bank of Canada is in a better position to determine the quantity of money at any time, in the economy; the moment that manipulation or that responsibility is left with the Bank of Canada, then, Mr. Chairman, it will be its responsibility to decide which portion of the public debt the bank is going to absorb constantly.

• (5:00 p.m.)

Mr. Chairman, if the government were to determine what amount of money is required at any given time, it would then be a matter of floating bonds and ordering the monetary authorities to issue money in exchange for bonds.

Mr. Latulippe: That is what you are doing.

Mr. Tremblay: No, Mr. Chairman, because when part of the public debt is absorbed by the central bank, its authorities decide to do so according to the monetary needs at the time. No government authority should force or dictate to the authorities of the Bank of Canada that it must absorb $\frac{1}{4}$, $\frac{1}{2}$ or $\frac{3}{4}$ of 1 per cent of the debt of the country, because the government would then interfere with the prime responsibility entrusted to the Bank of Canada by law, which law still upholds, that is to handle money so that it always corresponds with the needs of the economy.

Mr. Chairman, we at least recognize that there must be taxes, interest on loans, whether private or public. And why? Because we believe in the fundamental theory that there are real economic phenomena, that money must not exceed those real monetary phenomena but must merely adapt itself to the physical needs in a given economy.

Mr. Chairman, that is why it is so difficult to have a dialogue with our friends of the Ralliement Créditiste and the Social Credit and the other parties in this house on each every point concerning either the Bank of Canada Act or the Bank Act. That is why I wish to point out to our Créditiste friends that they can go on dreaming of a world where monetary manipulations would solve no problem.

As for us, we will continue to think that the monetary question must constantly be improved, that our Bank Act must be amended, that, as we are now doing through this clause, we must change the reserves of the chartered banks according to present needs and not those of the past. But we will never buy their suggestions that we manipulate the money supply, that we cancel the public debt or the interest on that debt. To do so would mean bringing about financial disaster and defeating the efforts which are being made to solve real problems, which is the well-being of the people and putting an end to unemployment.

Mr. Caouette: Mr. Chairman, it will surely be tough to make the hon. member for Matapédia-Matane (Mr. Tremblay) understand. Indeed, for the past 15 years at least, he has been blaming the Créditistes, and Social Credit and accusing us of reaching for the moon or Mars, etc.

I would remind the hon. member for Matapédia-Matane as well as to the Minister of Finance and the government itself that the Social Credit philosophy, for warfare purposes, has been largely applied except for this frightful creation or increase of the national debt.

In 1939, after 10 years of depression, the Liberal government of the day, of which the spiritual father of the member for Matapédia-Matane, Mr. William Lyon Mackenzie King, was the leader and prime minister, our national debt amounted to $3 billions. Everyone in Canada was paralysed. There were 600,000 unemployed, and products were not being sold. We had the production capacity and all that, but nothing was operating, precisely because money was lacking. The Bank of Canada had been in existence since 1934. Incidentally, I should tell the hon. member for Matapédia-Matane that the Bank of Canada was not created to deal only with the reserves of the chartered banks. Its main purpose was to maintain a continuous economic growth in Canada. That is the purpose for which the Bank of Canada was created and established. It is not a question of helping along chartered banks, but of maintaining Canada's constant economic growth. In 1939, Mr. Chairman, the national debt was $3 billion and, six years later, in 1945, it was a record $17 billion.

Let the hon. member tell the house and the people how the national debt increased by $14 billion. How is it that to make cannons, soldier's uniforms—and, incidentally, there was no unemployment during the war; young Canadians who had never fired a gun were enlisted and the young people were never told: "You are unfit to go to war." No, everybody was fit. "Come on, young men, enlist, you will be provided with clothes, room and board, you will be supplied with armaments, and on top of that you will be paid to make war". And that is how $14 billion worth of credit have been created during the six years of war. The war is over and back we go to the same old sins of the hon. member for Matapédia-Matane (Mr. Tremblay).

Since 1945, that is in 22 years, the national debt increased by $5 billion. In peacetime, over a period of 22 years, it went up by $5 billion while, in wartime, over a period of 6 years, it increased by $14 billion. The former minister says he does not agree with the Créditistes. Small wonder. However, how can a government find $14 billion for slaughter over a period of six years, and puts up a measly $5 billion for everyday life over a period of 22 years? It is because of the present system.

An hon. Member: At double the rate of interest.

Mr. Caouette: Mr. Chairman, the former minister does not want to accept the Créditistes' philosophy, he finds it nebulous. But is the present system any better? When the hon. member says that productivity has practically reached its maximum, does he realize that there is a relation between productivity and production? If productivity were at its peak, production would increase. There would not be a single farmer in the hon. member's constituency who would not double his farm's output within two years. I challenge him to come with me and discuss before the farmers of Matapédia-Matane the possibility of increasing the production of their farms, if they were assured of a market. And the hon. member knows that I am right. Therefore, the problem does not lie with the production system. National production could double and treble with a few years. At the present time, some plants are not operating at full capacity because the market would not absorb the increased production. And as long as there is no reorganization—

Mr. Tremblay: Production, not productivity.

Mr. Caouette: Not among the consumers a purchasing power to enable them to order the distribution of that production, and the former minister, the present member for Matapédia-Matane, will be all at sea. And finally, in his riding, he will be put straight by his own electors because those people will not accept another economic recession, will refuse to be pushed around any longer by a few people who control the economic blood of the Canadian nation.

And the hon. member knows that the main problem is the financial problem. However, for 2,000 years we have been oriented towards that system. And the hon. member believes that it is the best system there can be, a system which hurts everyone, which forces the federal government to increase taxes when the citizens cannot pay any more, which forces the province of Quebec to increase its sales tax to 8 per cent when people could not even pay 6 per cent, which forces the municipalities to live in a deplorable state of stagnation, which has the school boards by the throat, ready to choke them overnight.

• (5:10 p.m.)

Mr. Chairman, it is that system which the former minister would like to protect and to see respected by the whole population. And when we tell him—what he has not yet understood: "Our basic theory is to make financially possible what is materially practical and desirable—"

An hon. Member: The hon. member applauded me when I said that.

Mr. Caouette: But afterwards he rises and speaks to the contrary. He then gives the impression that he understands Social Credit when he says: "The unlimited issuance of bank notes, the unlimited creation of credit." When did we ever say: "The unlimited issuance or creation of credit."

And they want the people to believe that Social Crediters would devote their time to the issuance of bank notes. Greenbacks are seen everywhere. Mr. Chairman, this is not the matter involved. The greenbacks or the currency now in circulation hardly represent 5 per cent of the total amount of money in circulation in Canada or the total volume of money in Canada at the present time.

Mr. Tremblay: Would you allow a question?

[Mr. Caouette.]

Mr. Caouette: Certainly.

Mr. Tremblay: Mr. Chairman, I would ask the hon. member why he would restrict the amount of money in circulation or the credit available to the people if, as he has just stated we can double or even triple our national production at a given time? Then, why not double, triple and quadruple the amount of money?

Mr. Caouette: Inasmuch as it is necessary, Mr. Chairman, and let me give an example to the hon. member.

When we undertake to build a $300,000 school, with the present system, the school board will borrow this $300,000 sum from a chartered bank. The chartered bank will not take the member's money nor mine, it will open a new credit for the setting-up of a school, and exact 5 per cent for a 20 year period. Now in 20 years the school will cost $600,000 instead of $300,000. That is the kind of interest we cannot admit and to which we are opposed. We do not object to paying interest on anything lent by the person who owns it, but right now the bank creates the credit, according to what the member, the government and each Canadian citizen is worth, and demands an interest on this new credit, which is pure nonsense.

We are not opposed to paying interest on something that actually exists. If the member for Matapédia-Matane lends me $100; I will reimburse him $106 or $107 which is only normal since he helped me with something that belongs to him. But as for the banker, he lends something he does not own; so much so that he wants guarantees, such as my marriage contract, and my insurance policies. He is ready to take my wife and children; he is ready to take everything. And then only will he agree to lend me $10,000, $20-000 or $25,000, according to the guarantees I can offer. Where do these $20,000 or $25,000 come from? They come from this creation authorized by the Canadian parliament. This money, this credit is not taken from anybody's account. No one sees any reduction in his savings account or his current account, as a result of the $20,000, $25,000 or $300,000 loans of a Canadian chartered bank, but the bank exacts an interest on this new credit. In short, I pay interest to the banker on my own property, on my own guarantees.

According to the member for Matapédia-Matane this is logical and normal. What

Créditistes ask is whimsical. The present system is not whimsical: it is barbaric. We are not the only ones who condemn it. The other day the member for Kamouraska quoted what Pius XI said in his encyclical letter, *Quadragesimo Anno* in 1931, 36 years ago.

What did Pius XI say? "He said: "Those who control money and credit are the masters of our whole lives and no one has a right to breathe any longer against their will". The hon. member would have no right to breathe against the will of those who control money and credit. The same thing applies to the government, and to any undertaking, public or private. They are the ones who control.

Mr. Rothschild, for his part, said: "Give me control over a nation's credit and I do not care about who makes laws in that nation".

Mr. Chairman, we are the ones who make laws in this country and the minister is not even able to take a decision against the financial system. Why? Because we give them, and we are about to give them for a further period of ten years, the power to control Canada's economy, and the economic life of Canadian families and individuals. You ignore those who develop the country, but you care about those who plunge it into debt, about those who devour the country, about those who loot it.

Mr. Chairman, this act is going to be in force for ten years. We will talk about it ten years hence, in 1977; the hon. member for Matapédia-Matane will no longer be here then and we will have another minister of finance, for I hope that by that time we will have Créditistes on the other side to put some order in Canadian finance.

Mr. Chairman, the Créditistes are not asking for anything so extraordinary. We merely ask for some balance, for an adequate accounting system in line with reality. As I said a few moments ago, such an accounting system was applied by the government in wartime. But in peacetime, when money is in short supply, they spend their time talking twaddle like: This system must absolutely be respected, endured, tolerated, renewed so that it may continue its exploitation.

Mr. Chairman, when the Canadian consumers' buying power is based on reality, on statistical data about Canada's output, then we can command maximum output in this country. We know that we have not now reached our maximum output, and this applies to any of Canada's regions, be it British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, the maritimes. Speaking of the maritimes, do you thing that fishermen in those provinces have the same production or make as good catches as they made even ten years ago? No. And it is strange that no solution should be found in peace time, and that instead people should be asked to tighten their belt.

The Bank of Canada, whose first responsibility is to maintain a continuous economic growth in the country, tolerates years of depression, of restriction, of privation, years of small economic booms here and there, which do not last long except in war time. In war time, while any amount of money was found for the manufacture of guns and shells, we had a higher standard of living than in depression years or in peace time, even if we had ration tickets, as some have said. Price control and ration tickets meant absolutely nothing all though the war, for with ration tickets you could buy anything to the value of the ration ticket and you could get as many of those as you wanted on the black market by paying extra.

We knew about those underhanded practices but everyone had at least a little something during the war whereas during the depression most Canadians did without a lot of things and went through a lot in one of the richest countries in the world.

Mr. Chairman, as long as the monetary system has not been adapted to the physical possibilities and realities of our country, it is useless to believe that we will give our people a wealthy Canada where they will be able to live decently.

If billions of dollars can be found to kill, it is time to look for the billions of dollars which will enable Canadians, young and old, men, women and children, to live sensibly and according to our country's physical possibilities.

Mr. Chairman, those are some of the things I wanted to say. I will probably add to them later if the hon. member for Matapédia-Matane wants to rise again because I like to answer him; he knows so much about the present system. The hon. member for Lapointe is indicating he wants to have his say. The debate should prove quite interesting in the next few hours.

Mr. Chairman, I wish to draw your attention to the fact that clause 72 of Bill No. C-222, as well as the bill itself, will be in force for a decade. For the next ten years we will have to put up with what is in it. Therefore, since we advocate monetary reform, it is now

or never for us, as members of the Ralliement Créditiste, to say to the minister, to the authorities of the Bank of Canada, to the leaders of the financial system what we think, what we want for the Canadian people and what the Canadian people expect from their government, namely in administration for the general welfare of the people and not for that of some financiers in Canada.

• (5:20 p.m.)

Mr. Grégoire: Mr. Chairman, I listened with pleasure earlier to the hon. member for Matapédia-Matane (Mr. Tremblay) and I think he summarized the situation as it never was before.

Some hon. Members: Hear, hear.

Mr. Grégoire: Very well, your applause is quite justified.

What did the hon. member for Matapédia-Matane have to say about you? You want a system of abundance? We prefer the present system. That is what the hon. member for Matapédia-Matane said earlier and it is so revolting to say such things that the hon. member for Québec-Montmorency (Mr. Laflamme) can hardly believe it. It is hardly believable. I agree with him, that the hon. member for Matapédia-Matane could have said such a thing. But he did. And it is precisely the present situation. You, Créditistes, want a system of abundance, but we—

Mr. Tremblay: You are in favour of economy.

Mr. Grégoire: That is right, we are in favour of an economy of abundance.

You are the supporters of the present state of affairs.

Mr. Tremblay: What do you want?

Mr. Grégoire: The hon. minister says: What do you want? We have money. If we produce, we cannot add more. The Minister of Finance, who must always borrow, should be told, as well as Quebec, the municipalities or school boards that we have as much money as we can produce. Is it because there is enough money in circulation in Canada that the premier of Quebec (Mr. Johnson) has to go down on his knees in New York or in Toronto in order to borrow money to build a university, to develop a school or build highways or bridges in the province of Quebec? No. It is because he does not have any money.

If the hon. member for Mount Royal (Mr. Trudeau) has something to say, let him rise and say it. Maybe that would do him a lot of good—

[Mr. Caouette.]

Mr. Trudeau: You are talking against the Prime Minister.

Mr. Grégoire: I am not saying anything against the Prime Minister nor against anybody else. I am talking against the system of sweeping up everything. And the hon. member for Matapédia-Matane is saying: There is enough money. In fact it is for that reason that the Canadian citizens are unable to have houses built. If there is at present a housing shortage in Canada, the like of which we have not seen since the war, it is precisely because, as pointed the hon. member for Matapédia-Matane, we are at present under a sweeping up system and not the system of an affluent economy.

If there is a decrease in the sales of motor vehicles, is it because there is too much money in circulation or because there is a shortage of money?

Mr. Tremblay: It is on account of a shortage of money.

Mr. Grégoire: It is because there is not enough.

Mr. Tremblay: It is due to an imbalance.

Mr. Grégoire: Imbalance of what? Imbalance of the system. Because we have, in Canada, the needed persons in order to produce motor vehicles and there are potential buyers. But there is no money to meet the needs of the buyers and that is why we have a crisis and a decrease.

When, for instance, we call for highway repairs or construction to connect our municipalities with one another, what kind of an answer do we get? Lack of money. Ask any mayor of the constituency of Matapédia-Matane: Why not build a hospital here? What will be his answer? We have no money.

I never saw any municipal council or a school board sit around a table and ask themselves how to get labour or materials, no. But they will ask themselves where they are going to get money, because that is unfailingly the problem.

Mr. Tremblay: Money shields reality.

Mr. Grégoire: Someone says that money shields reality. I should like to have the hon. member for Matapédia-Matane explain that

sentence. He might be able to remove the shield because he may not see reality. It might be for that reason that he states that reality is shielded.

Mr. Tremblay: Because money is a means.

Mr. Grégoire: Money is a symbol, it symbolizes production, the product. It is not even a means. It is a symbol. And what is symbolized is the product. But see what happens to production when the symbol is not there; production stops.

That is precisely why automobile manufacturers have slowed up their production: sales are decreasing. And the sales are going down because Canadians do not have the money needed to buy automobiles.

If the member for Saint-Maurice-Laflèche (Mr. Chrétien) has something to say, let him say it, let him rise—or let him speak so that we can hear him.

Mr. Chrétien: I should like to have a big boat, but I have not enough money. I am not rich enough.

Mr. Grégoire: Well, that just shows that money is lacking. The member for Saint-Maurice-Laflèche would like to have a boat, but he cannot because he has not enough money. That is the situation all over Canada.

Mr. Chrétien: That is because I do not spend more than I can afford.

Mr. Grégoire: This is an *ad hominem* argument which must not be applied generally. When the present system can only be justified with such arguments, well then we shall know that it is not worth much.

Coming back to the matter of reserves, Mr. Chairman, I heard a moment ago the hon. member for Matapédia-Matane say: "The reserve for long-term loans, for loans, for notice deposits has been lowered to 12 per cent, and the reserve for demand deposits, to 4 per cent. The hon. member for Matapédia-Matane said also that we have the money precisely because it was the calculated percentage which could best enable the Bank of Canada to control the amount of credits and the banks to operate without having money that is not being used.

On that point, Mr. Chairman, I want to say that, whatever the reserve percentage, it is obvious that chartered banks will ask that this percentage be as low as possible because in the past the general percentage amounted to 8 per cent and as worked out by the Minister of Finance, with these two new percentages, it is lowered to an average of 10.6 per cent of loans made by chartered banks. This means that, in the past, when a bank had $8 it could create credit by making loans up to $92, whereas now a bank will need only $6.60 to lend $93.40. Calculating this for all of the reserves of the chartered banks, which now stand at $1.5 billion, and if the percentage is lowered from 8 to 6.6 per cent, it means that overnight from the moment the law is passed, taking into account the whole money supply, the banks will be able to lend over $4 billion more without needing a single cent more in reserves or in deposits.

Of course, if the Bank of Canada puts this legal money into circulation as reserves for the chartered banks, that is different. But the chartered banks may not want to give up their reserves, and if these remain the same, if the chartered banks keep their $1.5 billion in reserves, it means that the moment the percentage is lowered from 8 to 6.6 per cent, the banks can create and lend an additional credit of $4 billion, without needing a single cent more in legal reserves or in deposits.

If the Bank of Canada leaves the same amount in legal reserves in the hands of the chartered banks, the hon. member for Matapédia-Matane will tell me: "But has the Minister of Finance told the house what policy the government would adopt in such a case?"

Mr. Tremblay: That is the responsibility of the central bank.

Mr. Grégoire: Mr. Chairman, the hon. member for Matapédia-Matane says that this is the responsibility of the central bank. I shall answer him that when the question was put directly to the Minister of Finance in the committee on finance, trade and economic affairs, the minister said: "The Minister of Finance is the one who has the authority". He mentioned that the authority did not rest with the governor of the Bank of Canada, but with the Minister of Finance. This is what the hon. member took up—

The Acting Chairman (Mr. Richard): Order. I understand very well the great desire of the hon. member for Lapointe (Mr. Grégoire) and the hon. member for Matapédia-Matane (Mr. Tremblay) to assist the hon. member for Lapointe in his speech, but I should prefer, and I know that all the hon. members agree with me, that each member make his speech by himself and without too many interruptions, so that all may have the opportunity to speak in turn.

• (5:30 p.m.)

Mr. Grégoire: Mr. Chairman, I would like to say that the hon. member from Matapédia-Matane was not interrupting me; on the contrary, he was helping me. I was wondering what was the name of the hon. member who had precisely insisted on the fact that there is a section in the new Bank of Canada legislation which gives primary responsibility to the Minister of Finance, and it was precisely the hon. member for Perth (Mr. Monteith) who, at that time, observed that it was not as in former times when the governor of the Bank of Canada had refused to follow the instructions of the minister.

So, finally, to go on with what I was saying, it is in fact the Minister of Finance who is responsible for the volume of the money supply. This is all the more so that when I asked the Minister of Finance what was his basis to determine the volume of the money supply, he replied: It takes feeling and flair. Not much, perhaps, but to a certain point, some judgment. He was not sure that it required judgment to determine the volume of the money supply. Indeed, I mentioned it last week.

The minister recognized that it took flair and feeling but as far as judgment was concerned, he did not feel it was indispensable to have some to figure out the volume of the money supply.

So, I say to my friend, the hon. member for Matapédia-Matane, that it is the Minister of Finance who determines what statutory reserves remain in circulation. The minister himself refused to make any statement on that. He refused to say whether with the changes in rates provided for under section 72 and the reduction of rates from 8 to 6.6 per cent, the Bank of Canada would allow the chartered banks the same amount of statutory reserves.

If the amount remains the same as we can rightly presume, it will mean that as soon as this legislation is adopted, the chartered banks will turn around and be entitled to lend an additional $4 billion without a single penny more in reserves and without a penny more on deposit than they have at the present time.

I challenge the hon. member for Matapédia-Matane to contradict me. If the legal reserves remain the same, the percentage decrease from 8 to 6.6 per cent enables chartered banks, once this legislation is implemented, to go right ahead and create $4 billion of credit without having a cent more in legal reserve or in additional deposit. I challenge again the hon. member for Matapédia-Matane to say anything to the contrary. I also challenge another of his economist colleagues, the hon. member for Outremont-Saint-Jean (Mr. Lamontagne), to gainsay by statements, because they both know very well that with 6.6 per cent, in view of the existing legal reserves, chartered banks will be allowed to create $4 billion more as soon as the Bank Act is implemented, without having a cent more in deposit or in reserve. Why could the Bank of Canada not create that $4 billion credit, without interest, for the benefit of Canadians?

An hon. Member: It could lend money in the Mount Royal constituency.

Mr. Grégoire: It could make loans to municipalities who are in need of it, as well as to the provinces, without interest. The member for Matapédia-Matane could not deny it, because he knows it is true.

This would become a buoyant economy for the people, but the member for Matapédia-Matane prefers the buoyant economy for the bankers. There lies the difference between the member for Matapédia-Matane and us. He is for the banks, whereas we want the system to operate for the people.

Such is the difference in the affluent systems. We have the choice: affluence for the bankers or affluence for the people; as for me, my choice is made: affluence for the people. The member for Matapédia-Matane has also made his choice: affluence for the bankers. He certainly cannot say otherwise. All he can do is to give a sickly smile because the mask is falling. We are exposing the hypocrisy of these pseudo-economists who have studied the conventional economy with a view to satisfy the appetite and consuming thirst of the big bankers to the detriment of the people.

An hon. Member: Pure demagoguery.

Mr. Grégoire: I have just heard the typical retort of those who have run out of arguments. When they are cornered, stuck, what do they do? They sit on their hands and shout "demagoguery". That is the argument of those who have no more arrows in their quiver. Instead of saying that, why does he not prove that I am wrong? Let him prove that the new clause 72, if the legal reserve remains the same, will not allow the banks to create $4 billion more for their benefit and advantage.

What are we asking for? We say that if it is possible to increase the money supply by $4 billion, let the Bank of Canada do it, so that it can benefit from it and enable the Canadian people to take advantage of the economic growth which we owe not to the bankers but to the work of the Canadian people our fellow-citizens. The money supply increases as a result of increased production due to the toil and sweat of the Canadian citizens. But they are not the ones who benefit from it. The bankers do.

Mr. Chairman, the hon. member for Mégantic (Mr. Langlois) said it a while ago: placing his argument within the frame of the existing system, the hon. member for Matapédia-Matane rattles off what he has learned in books.

On the other hand, when we show him the results of the present system, when we give him concrete figures with the help of clause 72, on the bank reserves, he is at a loss. He feels cornered, and his sole argument is to cry out "demagoguery". It is the argument of people who have run dry.

Mr. Chairman, the hon. member for Matapédia-Matane talks about an affluent economy. Well, we want it, but for the people and not for the bankers. For Canada, but not for the bankers, not for the banks. That is the difference between the argument of the hon. member for Matapédia-Matane who expresses the reasoning of his colleague, a reasoning which is hard to imagine, since even one of his colleagues, who had not heard him make one of his speeches, said earlier: what the hon. member for Matapédia-Matane says there, does not make any sense, he did not say that. He was shocked to see that his colleague could have said that. It is true that the theory and the system advocated by the hon. member for Matapédia-Matane are shocking.

Mr. Chairman, I shall ask the hon. Minister of Finance to change his course, to the benefit of those who elected him from one end of Canada to the other, those who elected their representatives here in the House of Commons. We are here to work for them and not for the bankers who have done nothing, who represent an infinitely small group, a very small sector in Canada. Why not let all the people benefit therefrom?

If the steps advocated by the hon. member for Villeneuve, the hon. member for Mégantic and myself, as well as the hon. member for Compton-Frontenac and others, were taken instead of following the system advocated by the hon. member for Matapédia-Matane, we would not be faced today with a housing shortage, an unemployment crisis with 400,000 people out of work, including 150,000 in Quebec alone.

Yesterday afternoon, I met the dairy producers of the riding of Lapointe.

Mr. Guay: I met them also.

Mr. Grégoire: The hon. member for Lévis tells me that he met them also. I know that the hon. member for Chicoutimi (Mr. Langlois) and another Liberal member met them. In the province of Quebec, all federal members were able to meet their farmers.

Will the hon. members for Lévis and Matapédia-Matane tell me that the Quebec farmers are well off? Are they not living rather in the same old misery? When you met the dairy producers, the farmers of the riding of Lévis, did you tell them: Gentlemen, be happy, we get along fine in an affluent society? No. You did not dare tell them that because it would have been sheer provocation when they have trouble making ends meet in spite of back-breaking days starting early in the morning and ending late at night.

Mr. Guay: We tell them about things that can be done and we do not make pie-in-the-sky promises like you do.

Mr. Grégoire: Does the hon. member for Lévis mean that the $5 per hundredweight of milk asked for by the farmers cannot be achieved?

Mr. Guay: That is not what I am saying. But you indulged in demagogy in your riding, as usual.

Mr. Grégoire: There you have another one who has no arguments, Mr. Chairman. From the time I have been on this side, I have become accustomed to see people without arguments. That is the only thing they can say: That is demagogy. Demagogy. They are free from that. Oh yes. When you saw the former member for Saint-Jean-Iberville-Napierville (Mr. Dupuis), with his wide smile, the hon. member for Matapédia-Matane or the hon. member for Lévis (Mr. Guay) and the others who were rubbing their bellies when they saw Yvon Dupuis throwing bundles of dollars in the air, that was not demagogy, Mr. Chairman, oh no, that was intelligent. He did the same in his riding. "The Social Crediters will get the money machine rolling and you will need loads of dollars to buy a pack of cigarettes". That is not demagogy, Mr. Chairman, oh no.

We say that it is not intended to print one dollar more, but rather to make sure that the credit now created by chartered banks will be created, in the same amounts, if you want, by the Bank of Canada. Is that what you call printing money? And that has been repeated for a week in this house.

Mr. Guay: It is the same thing.

Mr. Grégoire: That is the same, except that it is the Bank of Canada that will do it without interest and that the federal government, the provinces and the municipalities would then have the interest to boot to administer their own affairs.

Let the hon. member for Matapédia-Matane and the hon. member for Lévis make inquiries in their own constituencies and they will find out that between 30 and 45 per cent of municipal estimates are expended to pay interest on the debt.

Mr. Guay: We know what is going on in our ridings; we are always there, but you are never in yours.

Mr. Grégoire: The hon. member should not worry about that. But let me say that this is not only demagogy but a lie as well, because I am more often in my own riding than he is in his.

When we suggest a system, a means whereby municipalities could have interest-free loans and use the money they are now paying as interest on their debts, we are not suggesting the printing of bills, and there you have the difference between the present system and the one we have been advocating. And it would spell prosperity not only for the banks but also for municipalities and the Canadian people.

Well, Mr. Chairman, I hope that the hon. member for Matapédia-Matane will not pursue his defence here especially when one sees him take his stand on paragraphs learned by heart from orthodox manuals of political economy often dating back to first world war.

I hope that the hon. member for Matapédia-Matane will not continue to defend an obsolete economic system, which is exactly the same as the one in effect at the time of Napoleon but that, adapting himself to progress, he will try to see, to advocate the implementation of a new system which will not be an economy of abundance for bankers only but for all Quebeckers.

• (5:40 p.m.)

[*English*]

Mr. Leboe: Mr. Chairman, I really did not intend to become involved in this debate a second time, but it does seem to me that perhaps it would be profitable for me to say a few words in connection with the topic before us. We have had a very wide-ranging debate. It seems to me that some statements have been made which certainly need to be refuted or clarified. To begin, I should like to refer to page 13840 of *Hansard* and quote from comments of the Minister of Finance. He said:

> Mr. Chairman, I have been trying for most of my adult life to understand Social Credit.

Mr. Sharp: So I am.

An hon. Member: You said that.

Mr. Leboe: I am quoting the minister. If the minister has not succeeded very well in understanding Social Credit, it is a great puzzle to me how he could continue as he did in the next few sentences. He said:

> But what has puzzled me even more is how anyone could accept these doctrines.

He is referring to the doctrines that he does not understand. If you can figure that out, you are better than I. I should like to read another quotation from the remarks of the minister as found on page 13371 of *Hansard*:

> Mr. Speaker, I should like to reply to the young, amiable and handsome member who has just asked the question that the statement made by the premier of British Columbia is, so far as I know, without foundation. I would categorize it as both absurd and without foundation.

We have heard a lot about co-operative federalism. We have heard a lot about how the provinces should get along with the federal government and how the federal government should get along with the provinces. The minister's portfolio, of course, in essence

is a product of the getting together of the provinces and is not something which got the provinces together. I suggest to the minister that the use of sarcasm and ridicule is no way to find a solution to problems. I should like to read again from *Hansard*, page 13111:

> —this is the sort of program that one might expect the Social Credit party to propose since they believe in a different form of financing, one that would be very inflationary and under which they would simply print money.

I should like to know what Social Credit material he has been reading. He says he cannot understand it, wonders how anybody can believe it, and then proceeds to say that it would be very inflationary in that we would simply print money. How does he know if he does not understand it. I should like to know who, in the Social Credit party, at any time advocated the printing of money. I have read items in the newspapers which have suggested that this is what we are advocating. I have been a Social Crediter since 1934 and I have never heard a Social Crediter advocate that we print money indiscriminately by means of a printing machine. This is something which has been suggested in the United States by none other than Mr. Anderson who at one time was secretary of the United States treasury. He suggested that this might be a good solution. The Social Credit party in this country has never recommended this.

I should like to deal with this question in retrospect. I go back to the time when we were in a depression, a time when people were being paid 10 cents a day to sit in a concentration camp, if you wish to call it that or relief camp because they did not have any money with which to do any purchasing. Retail stores across the country were amply supplied with goods for sale. I remember a storekeeper telling me that he had to keep a great deal more on the shelf because he could not afford to miss a sale.

What was the upshot at the beginning of the war? It was found absolutely necessary to increase the money supply greatly in order to fight the war. What was done in order to prevent inflation? I should like to go into this to some extent. In the first place, the government started selling victory bonds. They did not tell the people that the victory bonds were for the purpose of taking money out of circulation. They said it was to help fight the war. This was not the case at all. We know that. The victory bonds were sold for the sole purpose of taking money out of circulation which had already been pumped into the economy. It was already there and the expansion of credit was going on.

The next step was the introduction of war savings certificates. By this time the government was after the $5 bills. One could buy certificates for amounts as low as $5. In this way the government was able to take more money away from the people so they would not be able to spend it. Then the government introduced savings stamps in an effort to take more money out of circulation.

After having exhausted this procedure the next step was compulsory savings. No one could suggest for a minute that this was not proposed for the purpose of curtailing spending. Of course it was. I am not saying there was anything wrong about it. I am simply saying that these steps were taken by the government to prevent inflation inasmuch as the money supply had to be expanded in order to help the war effort. When compulsory saving failed to meet the demands rationing was introduced so that people would not be able to buy simply because they had money in their pockets. When rationing failed price controls were introduced.

At that time the man in charge of keeping prices down was one of the best men Canada has produced, Mr. Donald Gordon. He did a good job. During the war years the government did a good job in preventing inflation. They took the necessary steps. I am sure that if the minister would try to understand Social Credit he would understand some of the steps that were taken by the government in those days, because the concept of Social Credit is the converse of this. When the money supply is deficient there is a process by which money can be made available to the purchasers of the country.

I have heard it said that in Alberta and British Columbia the governments do not know anything about Social Credit and do not practice it. I can tell the committee that the concept of Social Credit is being practised directly in Alberta and British Columbia and now in the province of Saskatchewan. Right now in Saskatchewan a Liberal government is practising the concept of Social Credit. I make the statement this afternoon that if Saskatchewan, which is practising the concept of Social Credit, does not go ahead I will eat my shirt on the steps of the parliament buildings.

An hon. Member: You will not have one left by the time you get there.

Mr. Leboe: The hon. member says that I will not have one left by the time I get there. I will. Surely we can expect more from the minister than this nonsense of ridiculing something that he does not know much about.

Surely we should be able to expect a minister of the crown at least to look at Social Credit proposals, come up with an analysis of what Social Credit stands for and then tell us where we are wrong, if we are wrong. It is not good enough to dismiss the whole concept with ridicule. The people of this country are getting fed up with this kind of nonsense. The day will arrive not too long from now when the people will take desperate measures to rid the country of this kind of attitude.

• (5:50 p.m.)

I referred to the concept being followed by the provinces of British Columbia and Alberta. I should not mention them without coming to grips with this concept and pointing out exactly what the situation is. If there is a deficiency of purchasing power in a province the people can not buy back that which is produced by the people. There is only one answer and that is to increase the money supply. Under our federal system there is only one way of doing that, in a province by creating a financial vacuum within the province so that money will flow into the capital account. If this is done there is more money with which the individual can buy the products of the country. In this way you increase purchasing power in respect of goods and services available and the people can then buy back what they produce.

The minister should take note of this method of expanding the tax base and increasing the source of tax revenue. This is the first year in 14 years there has not been a tax reduction in the province of British Columbia. The province increased home owners' grants by another $10 per month bringing them to $120 per year. This is tantamount to a decrease in taxes for home owners. This is not an across the board decrease in taxes.

In British Columbia the financial vacuum is created by the construction of highways, railways, and other transportation and power facilities. In this way money is attracted back into capital account. An individual would not buy a pulp mill worth $50 million but if one is built a great deal is paid out in the form of wages which creates purchasing power for the individual to purchase the goods being manufactured. This is the concept of Social Credit. The Minister of Finance or anyone else can bury his head in the sand, but this concept does work.

[*Translation*]

Mr. Caouette: Mr. Chairman, the hon. member who has just resumed his seat is absolutely right when he reproaches the Minister of Finance and Receiver General (Mr. Sharp) his inability to understand the Social Credit theories, but his capacity to condemn them. He cannot understand them but he wants to condemn them at every opportunity, anytime, anywhere, and mostly here in the house.

I should like to quote what his parliamentary secretary (Mr. Chrétien) had to say on February 15, 1967, as reported in *Hansard* on page 13095. He said:

> It is useless to try to make people believe that we find money on trees or that some obscure mechanism in the Bank of Canada can be used to solve all our problems. Money spent at any level of government comes out of the pockets of the taxpayers.

Mr. Chairman, if the parliamentary secretary to the Minister of Finance had been able to tell us at that time and if he could do it now, that all the money we need for the administration has to come out of the pockets of the taxpayers, the parliamentary secretary should have said who has enabled the taxpayers to have money in their pockets. If money does not grow on trees, as he said, he could have told us where it grows. But, nobody ever wants to tell us that, never.

Nobody wants to admit it either. As the bankers would not admit they create credit. No. They call it credit expansion.

Mr. Chairman, I do not know if some officials prepare the parliamentary secretary's speeches but it seems to me that such would not be their reasoning; they would never say that at any level of government the money spent comes out of the taxpayers' pockets.

In 1935, that is already 32 years ago, William Lyon Mackenzie King said this:

> As long as the government or Parliament has not recovered control of the issuing of the volume of money and credit in Canada, it is futile and trifling to talk about democracy in Parliament.
>
> Any nation will be ruined once usury prevails.

And that is precisely the control over finance that we are studying in Bill C-222. As for the parliamentary secretary, he has certainly not understood his former spiritual leader.

Mr. Chrétien: I am fed up with Social Credit.

Mr. Caouette: He tells us that money does not grow on trees. But where does it grow? Who is the sovereign in Canada? Who is the supreme authority in our country?

• (6:00 p.m.)

The banking system, or the Canadian government, the Canadian parliament? The authority is vested in parliament, as the former governor of the Bank of Canada, Mr. Graham Towers, once said:

> Parliament has power to amend the Bank Act... Parliament has power to give orders to the Bank of Canada ... Parliament has power to dictate the monetary policy of the country—

Mr. Chairman, precisely due to tight money, to the fact that credit remains in the hands of a few individuals who lay down the law in economic matters in Canada, we have to put up with the harm done by this system in all sectors of economic activity.

A while ago, I heard the hon. member for Lapointe (Mr. Grégoire) mention the government's dairy policy. All the hon. members in the province of Quebec, as well as outside Quebec, I believe, have been invited by the farm organizations, by the Catholic Union of Farmers in Quebec. I had the opportunity to meet the farmers last week. They ask for $5, $5.10 per hundredweight for manufacturing milk. The government will announce its policy before the first of April and will say: $5 is too much, we cannot afford it. On the other hand, we certainly can afford to help other countries, producers throughout the whole world, execept in Canada.

If war broke out tomorrow morning, we could afford to finance it. But we cannot afford to finance and help the farmers who represent the very foundation of the whole Canadian economic system.

And I am convinced that the hon. member for Lévis (Mr. Guay), who made an intervention earlier, promised the producers in his riding, to represent them here in parliament, to be their spokesman, to make claims for them, whether they are from St. Romuald, St. David or other places in his riding. And when the time comes to vote for $5 per hundredweight for manufacturing milk, the hon. member will bow to party discipline and vote as he is told to vote.

Mr. Guay: It is not true.

Mr. Caouette: He knows it—or else he will not be here to vote, if it is too difficult.

Mr. Guay: I never hide when it is time to vote, against you for instance.

Mr. Caouette: Mr. Chairman, the hon. member for Lévis knows it. He said earlier that we are demagogues, that we practise demagoguery, and every time we attack the financial system, it is demogoguery. But every time the farmer is crushed, it is normal, let us forget about him. The farmer who paid $1,200 or $1,400 for a small farm tractor about ten years ago must pay today $4,500 or $5,000 for the same tractor. The farmer is faced with a financial system without a heart or soul; he is a member of an outcast social group throughout Canada, either in the east or in the west of the country.

Mr. Chairman, we will witness soon the conflict on the milk policy and there again it will be a monetary problem. The Minister of Finance will tell us: "I do not understand Social Credit". Does he understand the present system? He does not understand it any better. That is why it is difficult for him to understand Social Credit.

Mr. Chairman, at that time it was because I was speaking to the hon. member for Lévis; I knew that he could not understand.

Mr. Guay: You addressed the electors of Lévis and I won in spite of that.

Mr. Caouette: Mr. Chairman, if the hon. member for Lévis is so afraid not to understand Social Credit, or if he is unable to, let him rise and explain the present system, if he understands it. I challenge him to prove that he understands it.

[*English*]

Mr. Lewis: On a point of order, Mr. Chairman, without, I hope, offending the hon. member for Villeneuve and some of his colleagues and despite the fact that I am educated every minute that I listen to them, I wonder whether it is not time to remind ourselves that we are no longer on clause 2 but are on a specific clause of the bill and that if we are ever to get through the bill the rule of relevance should be made to apply.

Mr. Langlois (Mégantic): On the same point of order, Mr. Chairman, we are talking about the reserves of the Bank of Canada and their implications.

Mr. Lewis: That is what we are supposed to be talking about and not what the hon. member is talking about.

Mr. Langlois (Mégantic): We are trying to point out the wide range of these implications. I gather that some hon. members do not seem to understand us, but that is what we are talking about. We have a long way to go before some hon. members will understand us.

Mr. Lewis: On the same point of order, Mr. Chairman, there is no doubt as to what the hon. member for Mégantic will think of the suggestion that some of the discussion may

not be directly relevant, but I say very seriously that unless we are to sit here until Christmas rather than rise for Easter surely we have arrived at the point in our debate when all of us should be kept to the particular provisions of the particular clause under discussion and should not be allowed to range all over the bill. In fact we have had two debates. First we had a debate on second reading. Then we had a debate, which was a second reading debate, on clause 2 during which all of us expressed our views. Now we are having a third debate similar to the debate on second reading during which we are again hearing views about the monetary and banking system. If we do not call a halt to this, we will be doing this useless educating of each other until doomsday.

[*Translation*]

Mr. Grégoire: Mr. Chairman, with respect to the same point of order, section 72 deals with bank reserves and we know—and the Minister of Finance and Receiver General (Mr. Sharp) knows it, but I do not know whether the hon. member for York South (Mr. Lewis) does—that the bank reserve is what permits banks to create money and credit. And when we talk about creation of money and credit, we are dealing precisely with section 72, which permits such a thing. The hon. member for York South may think we are spending much time, but how many days did he make us lose by lingering over the question of a spy in British Columbia? When we talk of money, the most important thing for the economic life of people, socialists do not want to speak any more about it.

Mr. Lewis: Demagogy is over, is it not?

Mr. Grégoire: Mr. Chairman, the hon. member for York South, here is another one talking about demagogy. He would not want us to talk about the most important thing.

Mr. Lewis: Maybe we should say "nonsense" instead of "demagogy." It is over now.

Mr. Grégoire: Mr. Chairman, the hon. member for York South thinks we are spending too much time discussing what has to do with the creation of money, while they spend days and days on other subjects far less important than the one we are dealing with at the present time.

Mr. Caouette: Mr. Chairman on the same point of order. The member for York South (Mr. Lewis) is afraid that consideration of Bill C-222 may go on until Christmas. He does not realize that the Canadian people will have to stick until 1977 with the same system, under the same coercion régime.

Furthermore, I will observe here that the member for York South, as well as his friends the Socialists put themselves in their true light and show their real financial philosophy. They are not interested in improving the financial system in order to put it at the disposal of the people. On this score, the New Democratic Party differs in no way from the Conservatives, nor the Liberals; all they want is to take their place; move over, that is all they say.

It is a good thing that the member for York South has risen majestically in support of Bill C-222, telling us that we should limit ourselves to the consideration of clause 72 and to the amendment which precisely deal with the monetary reserves which allow the expansion of credit by some individuals in Canada and not at all by the Bank of Canada. It is not the central bank which ensures the expansion of credit; it is the chartered banks. A moment ago I quoted the member for Saint-Maurice-Laflèche (Mr. Chrétien). As stated in *Hansard*, page 13096, he said on February 15:

—However, due to the present state of our economy, we cannot act irresponsibly.

• (6.10 p.m.)

"Responsible", that means, let us get deeper into debt or increase taxes. And this comes after the high-sounding statements of the Minister of Finance: The government has only two ways of finding money in Canada. Two ways. Either by borrowing money or by collecting taxes. We borrow and then, we collect taxes to repay the loans and then, we borrow in order to distribute, through public works or other, to pay the interests on a tremendous national debt that Canada will never repay. Then, the minister has only one solution: borrowings and taxes.

We keep telling him to use the Bank of Canada. He replies that it would cause inflation. Would there be any more inflation if the Bank of Canada rather than chartered banks created credit? Let the minister tell us once and for all. Let us be told. The Bank of Canada could create debt-free credit without interest to finance the public sector. Would it cause inflation? Chartered banks charge interest on their expanded credit or on the credit they create, and that is inflation. But it is not when the Bank of Canada is involved, though. The minister knows it.

So the hon. member for Saint-Maurice-Laflèche goes on:

There is one good point to that: the taxpayers will pay for the old age pension—

We were dealing with old age pensions.

From now on, when people see the platforms, they will understand that there is a direct relationship between the purse and the platform.

That statement is made in the house, but the hon. member for Saint-Maurice-Laflèche would never have made it in his own constituency during the election campaign, because at the time it was said: We will increase your pensions even up to $125 a month, because the right hon. Prime Minister (Mr. Pearson) has announced it in the maritimes. And it was stated: Without a tax increase. We shall save money. We shall save. We shall save.

It is always a matter of saving in peacetime. If the war broke out tomorrow, immediately, savings would be out of order and we would spend as much as we could to manufacture weapons. But to produce welfare in Canada, that is impossible. We do not have the financial means.

Now money does not grow on trees. No, Mr. Chairman. But the hon. member should tell us where it grows. It does not grow on firs or maples nor in Shawinigan, Rouyn or Montreal. Money grows in chartered banks. That is Bill C-222. And we are asked to approve reserves of 6.6 per cent instead of 8 per cent. That is what the hon. member for Matapédia-Matane (Mr. Tremblay) stated earlier. He is right. But when the hon. member for Lapointe (Mr. Grégoire) said: "That would enable chartered banks to create immediately tomorrow an additional amount of $4 billion in Canada, without increasing the reserve by a single cent, without issuing a single cent of legal currency—whether it be a figure or a bank note it does not matter as long as it is illegal—he also asked: Who grants them that right? Bill C-222. Passed by whom? By the Canadian parliament, by the sovereign parliament which can decide the general economic future of Canada.

And we, the members, the minister, and the government who are about to give that vast power to a few individuals for a ten-year period.

Mr. Chairman, we cannot let Bill C-222 pass without objection. No. The Conservatives are silent. Earlier, I was asked: "When are you going to stop? You are worse than Mr. Blackmore in 1936, 1937, 1938. When are you going to stop talking about finance and the economic system?

Mr. Chairman, we of the Ralliement Créditiste, were elected precisely because we oppose that perfidious system, the present Canadian banking system which gives to a few individuals control of the economic life of the whole nation. All the social classes have to kowtow before the financial system. The banking system has the right to bring somebody into the world financially speaking tomorrow morning and to put him into bankruptcy the next morning.

Why do we witness today such a large number of bankruptcies in the province of Quebec as well as in other Canadian provinces—but it is even worse in Quebec because bank credit is cut off? Industrialists and business people are caught in a vise, they are forced to go into bankruptcy.

However, that is not what the bankers told the finance, trade and economic affairs committee. They told us what they had promised the Minister of Finance and Receiver General (Mr. Sharp) to say: Allow us to expand; cut down our reserve requirements and raise our lending rate so that we may help further the small-wage earners, lend them more money. That will enable us to control further the government or parliament, as we do at the present time.

Mr. Chairman, are we going to accept such a policy? Promises were made in the parliamentary committee on finance, trade and economic affairs, but do you believe that bankers will put them into practice later on?

As I said before, these people have the power to lend us an umbrella when the sun is shining, but, when it rains, when economic conditions are precarious, the umbrella is snatched away and we are left stark naked, and defenseless. That is the financial system we have, controlled by people who have no parliamentary power.

We have been elected to serve the Canadian people, not to serve the banking system. Through Bill C-222, the Minister of Finance and Receiver General and the government are beginning to bow to the financial powers—and hang the constituents, be they in the minister's riding or anywhere else.

Mr. Chairman, the member for Cariboo (Mr. Leboe) was quite right when he asked the minister earlier: "If you do not understand Social Credit, how come you say that it

will cause inflation and that Social Credit is dangerous. Don't you feel that our present system is much more dangerous? It has been tried and found wanting".

People fear inflation. Social Credit does not control the present government, and yet we have inflation, rising costs, rising interest rates and a general upward trend. We have inflation indeed. Is it because of Social Credit? The minister does not understand Social Credit, he is afraid of inflation caused by Social Credit.

Let him look at the present system, let him read attentively Bill C-222 which was drafted by the minions of finance in the hope of having it adopted here for the next ten years. Having adopted it, well, we shall still be the victims of this financial system all over Canada. We can change it, we can amend it. This does not mean that the bookkeeping system, the accounting system used by the banks is bad, no. It is good, but let us have this system operate for the benefit of the Canadian people, not of a few bank managers who number, say, 30 or 40 in all Canada against 20 million inhabitants.

And when I hear members like the one for Matapédia-Matane say: Social Credit is dangerous. I became a Creditist in 1939, that is 28 years ago. The member for Matapédia-Matane is an economist, as well as the member for Outremont-Saint-Jean (Mr. Lamontagne). I was never afraid to discuss finance and banking with them. I do not pretend to be an economist, but I know for sure that two plus two equal four. I know how to count, I know what is a balance sheet of a company and a balance sheet of a government. But I am also aware that if private companies were administered in Canada in the same manner that the government is administered, everybody would be bankrupt tomorrow morning. I have no doubt about that.

• (6:20 p.m.)

The minister does not know it. He says their hands are tied. Here we are: there is no other way: borrowing and taxes. A time comes when they say: "We cannot borrow, we must tax". They tax to the limit, that is to the point where people are crushed by taxation. Such is the present situation.

They talk of new houses financed by the Central Mortgage and Housing Corporation. Canadians cannot pay $125, $150 a month; everybody knows that. We should not wonder if houses are not erected: we lack financial means; and it is the same in every field, whether it be agriculture, labour or construction. It is always the same interrogation mark, the same problem: money, money, money.

Our Minister of Finance has not yet found the means and he refuses to admit that we should pass an amendment to this Bill C-222, so that the Bank of Canada may create all the necessary credits for expansion and growth of the Canadian economy. Later, when credit is in circulation, whether it is on deposit with the chartered banks, whether the chartered banks lend such deposits, whether the chartered banks do business with the government or with private industry, it does not matter, but let new credit come out of the Bank of Canada. That is what Créditistes demand. It is there to be used and it is the purpose for which it was established.

So, Mr. Chairman, the Minister of Finance should not be surprised; we will insist as much as we can to have this Bank Act amended so as to serve the Canadian people instead of the bank directors. Let this be clear, let the minister understand it perfectly.

Let us have no more thoughtless statements on the principles of Social Credit. If nothing better can be found to say than "demagogues", "demagogy", "stirring up the people", etc., that is now an old story, it is old-fashioned. We have had our fill of all that. We know what we want. We know where we are going. Three American presidents took the financial system to task. These people were surely as intelligent as the Minister of Finance and Receiver General of Canada and as intelligent as any of us. When Lincoln said:

> I have two enemies: The Army of the South in front of me and the finance behind me. Of the two, the one behind is the most dangerous.

It is still true today, in Canada.

John Adams was right when he said:

> Credit should be controlled by the government... Confusion and anguish in the United States stem less from the deficiencies of the constitution and confederation than from the ignorance of credit, currency and its circulation.

We are experiencing exactly the same situation today and it must be changed. As I said earlier, we have been elected for that. We are going to fight for that, regardless of political affiliations. We believe in Social Credit and not in the present financial system.

And the Social Credit would serve the people to nobody's prejudice. Bankers would indeed keep on living, rich bankers would still be rich, millionaire bankers would remain millionaires, but at least the Canadian

people would be assured of the vital minimum, of a decent living in a country as rich as Canada. That is why the Ralliement Créditiste and its members are fighting both inside and outside parliament. I insist that the Minister of Finance and Receiver General give us every detail about this system which exploits all social classes, including the central government.

[*English*]

The Chairman: Order. There is an amendment before the house and perhaps the committee will permit me to read it now. Moved by the hon. member for Edmonton West:

That clause 72 of Bill C-222 be amended by:
(1) In subclause (1) (a), deleting the word "twelve" and substituting the word "eight".
(2) In subclause (2) by deleting in subparagraph (a) thereof all the words after the words "months and" in line 28.

Perhaps the committee will also permit me at this time to announce the proceedings on the adjournment motion: The hon. member for Kootenay West, Health and Welfare; the hon. member for Richmond-Wolfe, Agriculture; the hon. member for Mackenzie, Grain.

Mr. Sharp: Mr. Chairman, perhaps I ought to say a word about the amendment moved by the hon. member for Edmonton West which is the subject of our debate at the present time. I know my hon. friends in the Social Credit party and the Ralliement Créditistes and the hon. member for Lapointe are very anxious that we should proceed with this bill as expeditiously as possible, and I hope that they will permit the committee to express its views upon the proposals we are making. I am sure they understand that this is how our democracy works, and I think we all agree that they are having a wonderful opportunity in this debate to express their views and to make the people of this country and of their own constituencies aware of the difference that separates them from us.

There are two parts to the suggestion made by the hon. member for Edmonton West. Some of his propositions were put forward last Friday and some of them today. On the last occasion he was speaking particularly about the power to vary the reserves. It is significant that the Bank of Canada has had the power to vary these reserves during the last ten years and still retains the power to vary them.

Mr. Lambert: Down from 8 per cent?

Mr. Sharp: No, between 8 and 12 per cent. These powers have been there during periods when, if the bank had felt that this was a proper way of tightening up the money supply, it would certainly have increased the reserve requirements. However, it chose not to do so. I believe this reinforces the arguments advanced before the committee by the governor of the bank to the effect that the necessary influence upon the money supply can in fact be exercised more delicately and in more timely and equally effective fashion by varying the amount of cash in the system rather than by varying the primary reserve requirements.

On this point, Mr. Chairman, I am very much like other members of the house. I have to be guided by the experience of the governor of the bank who has operated the system now for a great many years, if I may say so—I am sure I speak for a great many members of this house other than perhaps hon. members who espouse the Social Credit doctrine—with some skill. It is his view that he can influence the cash reserves of the system and the operations of the banks more effectively by varying the amount of cash in the system than by varying the reserves.

I accept that judgment and I commend it to the house. I have heard no evidence to the contrary. I know the hon. member for Edmonton West cited the example of the United States, where the power to vary reserve requirements is contained in the legislation. I have spoken about this to the governor of the bank and it has not induced him to change his views in any way. He said: "It may be appropriate in the United States to exercise an influence in this way upon the money supply. In Canada my experience has been that we can exercise the necessary influence to better advantage by varying the amount of cash than by varying the primary reserves". He said: "If I had thought otherwise I would have used the powers that are now contained in the act."

This was the first of the points made by the hon. member on Friday before the conclusion of the debate. I have been contemplating my answer since and that is the substance.

Today he has moved an amendment. I am not sure whether it accomplishes the purpose he has in mind but it has the effect of reducing the minimum reserves from 12 per cent to 8 per cent in so far as they relate to demand deposits. This would have the effect of reducing the over-all reserve requirements on the basis of the present distribution of deposits down to a little over 5 per cent.

The view of the governor of the bank is that this is too low a ratio for him to operate

monetary policy effectively. Even in the amendments now before us as reported by the committee and included in the bill the ratio is reduced from 8 per cent to less than 7 per cent. I gather that on the present distribution of deposits the ratio is not 6.6 but a little less than that, probably closer to 6.3 per cent. So while the bill proposes some over-all reduction in the proportion of reserves, and is in line with the recommendations of the Porter commission, it does not go, and I do not think it should go, so far as to reduce the effective level of minimum reserves down to something over 5 per cent.

I know that the banks would like to have the maximum amount of freedom. I believe that we in this house should also have regard to over-all requirements of public policy and be governed more by the experience of the Bank of Canada in operating the monetary system to the advantage of the public as well as of the banks. I am not saying that the banks are motivated only by selfish considerations, but I am more impressed by the arguments put forward by the governor of the bank that a ratio of 5 per cent is too low for him to operate the monetary system of this country effectively. For these reasons, Mr. Chairman, I find the proposed amendment unacceptable. Neither do I feel that we should go a step farther and make the reserves flexible as well as lower.

• (6:30 p.m.)

Mr. Kindt: May I ask a question? Would the Minister of Finance tell us what is at the back of the decision to split the reserves on the basis of 12 per cent and 4 per cent. As is stated in the bill the 12 per cent applies to current liabilities, the other amount to deposit liabilities. Was this decision asked for by the banks or was it suggested by Mr. Rasminsky, governor of the Bank of Canada? That is my first question.

Second, the 4 per cent figure would obviously let the banks expand their credit. They could expand up to 12 times their deposits, keeping 4 per cent at the back. Was it the thought of the Minister of Finance that by changing this ratio we would get more money in circulation?

Mr. Sharp: Mr. Chairman, the change in reserve requirements was partly recommended by the Porter commission which said that the ratio should be reduced from 8 per cent to 7 per cent. The trend toward a lower reserve thus was recommended by the Porter commission.

The particular form of the reserve is the result of recommendations of the Bank of Canada which believes that it would be more suitable to Canadian conditions to have the reserves based partly on demand deposits and partly on notice deposits.

Mr. Kindt: I have one other point to raise. What were the feelings of the banks with respect to this matter? How did they participate in the suggestion? What are their feelings with respect to this particular ratio.

Mr. Sharp: The banks were not very enthusiastic about this change. It was not done in the interests of the banks; it was done in the interests of giving the Bank of Canada more effective control over the money supply. The banks, I am sure, would have preferred a continuation of a simple ratio at a lower level still. It was the judgment of the governor of the Bank of Canada, which I accept, that it would serve public interest better if the reserve ratios were based upon a differential rate between demand deposits and notice deposits somewhat higher than that which the banks had asked for.

Mr. Lambert: Mr. Chairman, there is only one comment I wish to make to the minister. I am sure he would not want to leave the wrong impression. I gather, with regard to the proposal I made as to the variable reserve rate, that he would not think I was proposing this as a sole alternative to, shall we say, the methods now used by the governor. I was suggesting something as a supplement, something more in the hands of the governor. There could be occasions when it might be preferable to work under the particular type of variation I have suggested than under the open market transactions that the Bank of Canada must carry on, as it normally does. That is what I was suggesting, and I was not suggesting it as an exclusive alternative.

I would also make a further correction. The present variable rate from 8 per cent to 12 per cent does not give the governor permission to go below the statutory 8 per cent, the minimum set. My proposal was that there should be this permission.

Mr. Sharp: Mr. Chairman, the second part of the proposal contained in the bill of course is to provide for a secondary reserve; that is the added element of flexibility of which we have not talked on this occasion. But it is contained in the bill. In other words, when the governor of the bank had to make a recommendation to me as to the best form of controlling the money supply he recommended to me a system of fixed minimum reserves based upon a proportion of deposits, demand and notice, and the putting into the statutory

form of a secondary reserve to replace the agreements that the Bank of Canada has had with the chartered banks in the recent past. In this bill there is a well rounded and flexible system.

Mr. Lambert: All the way up.

Mr. Sharp: The system has this advantage. Whereas if you vary the cash reserves you may sometimes be having an enormous effect upon the earnings of the chartered banks either up or down, the money supply can be influenced through the secondary reserves, with only a marginal effect on the earnings of the chartered banks.

Mr. Lambert: With the greatest respect, I still feel that the minister has missed the point of the proposal I put forward. At no time did I suggest that the variable rate should be above 8 per cent. We have that as a primary reserve. The secondary reserve is now being enshrined. All I say is that controls breed controls. That is my opinion of that.

What I should have liked to see is the additional facility open to the governor, in that he could move downwards from the primary rate—the primary rate of 8 per cent, 12 per cent, or whatever it is. This facility is not open to the governor at the present time; he is not authorized to go below 8 per cent. In the proposed act the rates are to be fixed at 12 per cent and 4 per cent and there are no deviations up or down. The government can move with respect to the secondary statutory reserve—perhaps one should call it the statutory secondary reserve—but that is a movement upward. Then, of course, he could come back to the former level. The flexibility is all in one direction, and that is the point I want to get across.

As an alternative tool I should like to see some downward flexibility in the primary reserves, rather than having that flexibility only in the secondary reserves. I do not think it is right to say that the governor had that power and he has not used it, and that therefore we are not impressed with it. The governor has never had the power to do this.

Mr. Kindt: May I ask the Minister of Finance a question? Is it not true that the 8 per cent in effect now against reserves, and I refer to deposits, controls primarily the amount of credit a bank can extend? It must keep 8 per cent against deposits. A loan is made to an individual and it comes back as a deposit. Of course 8 per cent must be kept against that deposit.

• (6:40 p.m.)

The 8 per cent is reflected in the amount of credit which can be extended by the banks. Reducing it to 4 per cent will double the credit which theoretically the banks are able to provide. It may not work out this way in practice, but the lending facilities of the chartered banks will certainly be increased tremendously. How does the minister explain this? What is the answer? Is it the thought of Mr. Rasminsky that all this additional credit should be in the hands of the banks on the assumption that the banks will take care of whatever need for credit exists? I should like to hear the minister's ideas on this subject.

Mr. Sharp: I think the best way of answering would be to say that these recommendations were made at a time when it was clear that monetary expansion had to be restrained. In other words, these changes are being made, not for the purpose of influencing the amount of money in circulation at the present time but to change the form of control over the money supply by relating it, not as in the past to 8 per cent of total deposits, but to 12 per cent of demand deposits and 4 per cent of notice deposits. The combined effect is somewhere between 6 and 7 per cent. It does indicate some reduction in the amount of reserve which needs to be kept against deposits.

If the hon. member will look at the clause under discussion he will see that there are transitional arrangements. In other words, we move in stages, month by month from the 8 per cent requirement down to the new minimum requirement, as provided for in clause 72(2) paragraphs (a) and (b). However, it would be the object of the Bank of Canada to exercise whatever might be the appropriate restraint or stimulation of the money supply as economic conditions dictate.

In other words, it is not the purpose of this amendment to enlarge the money supply or to restrict it. It is intended to change the way in which the Bank of Canada may influence the amount of the money supply. It is certainly not the purpose of this bill to enlarge the money supply. After all, the bill was brought in at a time when the governor of the Bank of Canada was concerned, as I was, about the money supply expanding too rapidly. He looked upon this bill as constituting a different form of control over the total volume of money in circulation, to be exercised in the light of economic conditions at the time the bank is making its decisions, operating in the open market or otherwise.

Mr. Kindt: In order to bring about an understanding between two individuals who are discussing a monetary problem it is necessary, before anything else, to define the terms used. What does the minister mean by "money supply"? Is it currency; is it money given by the Bank of Canada to the people? Is it hard currency or is it paper notes? If I go to the bank and borrow $1,000 I simply get a $1,000 credit on the books. I do not take any money out with me. I write cheques against my credit. What is the money supply? I think we must define that before it is possible to understand the minister's meaning.

Mr. Sharp: I have explained this on a number of occasions, both in committee and in the house. The money supply is the amount of currency, deposits in chartered banks and, to some extent, deposits in other institutions, against which cheques may be written. It is the total amount of money available for circulation whether through cheques or as currency.

Mr. Schreyer: Listening to the exchanges between the hon. member for Edmonton West and the Minister of Finance I was not sure whether the difference between them was one of degree or of kind. I gather that in any case it is a minor one.

My first reaction on looking at clause 72, and in particular at the provision for reducing the reserve requirements, was one of opposition. But I suppose a case can be made for reducing the reserve requirements, if for no other reason than to conduct an experiment under conditions of control. I think the decision to reduce the requirement by this small amount from 8 per cent to 6½ per cent is not an imprudent one. I am a little puzzled by the position taken by the hon. member for Edmonton West. He seems to think that the clause does not allow for sufficient flexibility. It seems to me that the provision is such as to allow for the flexibility he believes to be desirable. The wording says clearly that the reserve requirement "Shall not be less than" and so on. Then it specifies what the minimum limit shall be. Beyond this there is, of course, room for discretionary judgment and variation on the part of the money management authorities.

Speaking more from feeling and instinct than from knowledge I cannot escape the impression that to the extent we reduce the reserve requirements we are giving to the banks greater discretionary power, and impinging upon the money management power of the central bank or of the public authority.

I see this kind of inverse relationship existing and I am not sure I like it one bit. However, as I say, the provision set out in the clause seems to be prudent enough. I look upon it as a kind of experiment within control, and on this basis I find it possible to support the proposal to reduce the requirements.

• (6:50 p.m.)

Since I have not taken an opportunity earlier in this debate to speak about money management generally, I should like to take a few minutes in which to comment on some of the statements which have been made in this chamber in connection with this subject, particularly by those speaking for the Social Credit party and the Ralliement Créditistes. I am not one who has ever ridiculed their monetary theories or taken an opportunity to make fun of some of their basic propositions. Like the Minister of Finance I must say I really cannot pretend to understand all of Social Credit theory, but unlike him I have not, as I said, felt the urge to tilt at Social Credit theory with sword in hand. I believe it is possible to effect an expansion in the money supply without necessarily engaging a debt creating process. I do not want to get too involved with the immediate concept of debt creating but, after a considerable amount of reading and having interviewed some people who are in positions of authority respecting our economy and banking, I have come to the inescapable conclusion that, within limitation, it is possible, feasible, and practical to effect an increase in the money supply without necessarily bringing about an increase in debt.

What I mean is that it is simply no more inflationary to have the Bank of Canada take up government securities directly than it is for the chartered banking system to take them up. It is often said that one reason why we cannot entertain the prospect of the Bank of Canada taking up government securities directly is that this would have a direct inflationary effect, but the fact is that every time the chartered banks take up government securities there is an increase in the money supply.

Why should one kind of increase be inflationary and the other not? After persistent questioning on this point I have come to one hard bit of information: The main reason why there has been a reluctance or refusal on the part of central banks to take up government securities directly is that it would be psychologically disadvantageous. That is not a very satisfactory answer to hear, but it is the only one I have been able to get.

Before going to the point where I would be prepared to endorse the main body of Social Credit monetary thinking, I must enter one major caveat with respect to it. I do not apologize for taking the time of members of the committee in this way because this matter is one of the most central, crucial problems that face governments or any body of people elected to fill positions of public responsibility and trust. The one caveat I have to enter is that even if it were a matter of deliberate and conscientious government policy, and of central bank policy, to have central banks take up more and more government securities, this in itself would not ensure that the economy would progress without inflation and without interruption, because very often the problem is not one of inadequate supply of money or loanable funds. Very often it is a case of maldistribution of money and loanable funds within the economy, of a wrong distribution as between one industrial sector and another.

I can make reference to a specific case in point. Last year and to date there has been widespread consensus that we are facing a crisis in the residential construction industry and in housing. Many people are of the impression that this is due to a chronic shortage of loanable funds in the economy or of tight money. There may be some element of justification for this position, but I think it can also be said that it is not so much a case of shortage of loanable funds as the fact that existing loanable funds were being lent out to sectors of the economy that were more profitable. Last year, while we had a dramatic increase in industrial and commercial construction, we had a falling off in residential construction.

Very often an increase in the money supply is not what is required. Very often what is needed is a selective channeling of supplies of money, loanable funds, purchasing power—call it what you want—into particular sectors of our economy. At the present time when we have this crisis in housing and residential construction I submit that nothing short of massive injections of funds by direct channeling into residential construction will deal with the problem effectively.

To increase the money supply indiscriminately in the context of today would not necessarily deal with the problem of the downturn in residential construction starts and would, in fact, add to the problem of inflation. This is because these added funds would be attracted to higher return commercial construction and away from housing. So there must be channeling. We are really facing somewhat of a problem of inflation. Even though many of the indices show a turning away from the spectre of inflation which we faced last year, the problem still lurks with us and is around the corner at all times.

As I say, the solution is not as simple as merely advocating an increase in the money supply and saying this will cure the problem, because attendant with it much thought must be given to matters of distribution, allocation, and so on.

In conclusion, Mr. Chairman, I agree in part with those who advocate a greater degree of public, political or parliamentary control over our monetary system. I believe we have such control in large part now, but I have misgivings when I see provisions in this legislation to reduce the reserve requirements on the part of our commercial banks and, as I say, the ratio there seems to be an inverse one. The less the amount of reserves which commercial banks are required to hold with the central bank, the more is the reduction in public or parliamentary control and management within our monetary system.

Now I would like to make passing reference to the recommendation put before the committee just the other day by my colleague from Nanaimo-Cowichan-The Islands. I believe we should endorse a policy of some experimentation in our monetary and banking system. That is one reason why we are supporting this clause of the bill. There is nothing wrong with experimentation, if it is prudent and conducted under conditions of close control. In like vein the hon. member put forward the proposition that the government should give consideration to the feasibility and desirability of owning and operating a commercial bank, and that it consider the desirability of having one of our eight or nine chartered banks publicly owned.

• (7:00 p.m.)

There is nothing rash or imprudent about that. Admittedly it would be a matter of experimentation. It certainly is in the public interest that we have a degree of experimentation in order to find out which innovations and which approaches are in fact the best ones and the ones most likely to be most beneficial so far as the public good is concerned.

Some hon. Members: Seven o'clock.

[*Translation*]

Mr. Latulippe: It is seven o'clock, Mr. Chairman.

[*English*]

Some hon. Members: Question.

The Chairman: Some hon. members are calling it seven o'clock. Perhaps I should remind the committee that last week when the house and committee did suspend sittings during this hour, this was done pursuant to an order of the house made on March 3. That order expired last Friday. Is the committee ready for the question?

Some hon. Members: Question.

Mr. Cameron (Nanaimo-Cowichan-The Islands): Mr. Chairman, I should like to move that we rise until eight o'clock.

Mr. McIlraith: Mr. Chairman, there was an understanding that we would rise from seven o'clock until eight o'clock. I think that is agreeable.

I wonder whether it might be agreed that the question be dealt with before seven o'clock.

Some hon. Members: Agreed.

Mr. Nasserden: Mr. Chairman, I have an inquiry for the minister before the question is put. Does he think that clause 72 weakens or strengthens the position of the Minister of Finance in the matter of influencing monetary policy.

Mr. Sharp: It strengthens; otherwise it would not have been proposed.

Amendment (Mr. Lambert) negatived: yeas 6, nays 43.

The Chairman: Shall clause 72 carry?

Mr. Latulippe: No.

Progress reported.

Mr. Deputy Speaker: Is it the understanding that the sitting of the house be suspended until eight o'clock?

Some hon. Members: Agreed.

Mr. Deputy Speaker: Perhaps the house would now agree to resume the business interrupted a few minutes ago in committee.

Some hon. Members: Agreed.

BANK ACT

DECENNIAL REVISION AND EXTENSION OF CHARTERS

The house resumed consideration in committee of Bill No. C-222 respecting banks and banking—Mr. Sharp—Mr. Batten in the chair.

The Chairman: The committee will resume its work at eight o'clock.

SITTING SUSPENDED

[Mr. Latulippe.]

SITTING RESUMED

The committee resumed at 8 p.m.

The Chairman: When the committee rose shortly after seven o'clock clause 72 was being considered.

[*Translation*]

Mr. Latulippe: Mr. Chairman, I wish to say a few words about clause 72 with regard to bank reserves, and then move an amendment.

When the Bank of Canada was established in 1934, a five-line section provided that the Bank of Canada had to maintain a reserve of at least 5 per cent of the value of deposit liabilities required in Canadian dollars. Following the 1944 decennial review, a 12 line paragraph said the same thing: "a 5 per cent reserve". Following the decennial review of 1954, the 5 per cent reserve rate was increased to 8 per cent in a section containing 37 lines. In 1967, after a decennial review which has lasted 13 years, since it is being made this year instead of in 1964, that same currency reserve takes up 97 lines and involves various types of rates for several kinds of deposits in the same banks. It is beyond understanding, Mr. Chairman.

The amendments of the 1934 and 1954 decennial reviews were very easy to understand, consisting of only a few lines and fixing the reserve at 5 per cent in one case and at 8 per cent, in the other. People could then understand something.

We now have a 12 per cent reserve, a 4 per cent reserve, another 8 per cent reserve and still another of 8 per cent, so many reserves that it is practically impossible to understand anything. I wonder why things have to be so complicated when it would be so easy to simplify them. It is practically incomprehensible. One must have a university degree to understand something and still, many with university degrees fail to understand anything.

The hon. member for Matapédia-Matane (Mr. Tremblay) said earlier that financiers or bankers who appeared before the committee on finance, trade and economic affairs should have given me a course in political economy or financial economy. I think that several members opposite would need such a course. I feel the hon. member for Matapédia-Matane himself has still something to learn, even though he is an economist, because he does not have a clue about the whole system.

As a matter of fact, the present system is so complicated that something should surely be changed. We do not have to accept such

situations and complications. We should explain those things as simply as possible. Whether it be a rate of 8, 5 or 10 per cent, we should know that it is a rate and only a figure. There is no need for ten figures to complicate the system. It is so complicated that even experts, such as the hon. member for Matapédia-Matane, find it difficult to understand. Many people should take these courses, because you can take my word for it, the more it goes, the more complicated it gets and the more difficult it is to understand. The population is being held in ignorance, people are prevented from understanding anything in all this and the whole truth is being hidden from the population of Canada, as far as financial affairs are concerned. And the great economists such as my hon. friend opposite, who are supposed to do something to enlighten the population, are doing everything they can to keep them in the depth of ignorance, the deepest in the country.

So, Mr. Chairman, I say to the hon. member for Matapédia-Matane you have responsibilities, and I am asking you to honour them, because the population will not long tolerate private preserves as in the past, it will not tolerate things the people should have known and that no one knows today.

Mr. Chairman, the same experts who have had classical education and taken university courses do not understand anything any longer; they do not know what to believe about cash reserves, about bank reserves; the more complicated it gets, the more confusing it becomes for the people who have no business understanding anything about this medley of bank acts, particularly when it is desirable to prove that the banks are not creating either money or credit.

So, Mr. Chairman, I move: That section 72 be deleted and the following substituted therefor:

"72. The bank shall maintain a cash reserve in the form of notes of, and deposits in Canadian currency with, the Bank of Canada.

Such reserve shall not be less than ten per cent of all its deposit liabilities in respect of all its depositors, for the first year of the present Act, and shall be raised by ten per cent each year, thereafter, until it becomes one hundred per cent of its deposit liabilities.

Such reserve shall be calculated on the monthly average of the bank deposit liabilities."

Mr. Chairman, by passing this amendment, we would allow chartered banks to finance private enterprise and enable the government to assume their responsibilities; we would enable the government to give the Bank of Canada what it needs to assume its own responsibilities and then the Bank of Canada would finance public projects and with interest-free money. When we talk about interest-free money, we know that there are going to be administration costs, but we know that those administration costs, for instance, will not be like under the present system. Within the space of a dozen years, we have doubled the capital and this is nonsense.

When the hon. Minister of Finance and Receiver General (Mr. Sharp) says there will be administration costs, this will not change anything. The administration will not cost twice as much, if we know how to administer.

Therefore, Mr. Chairman, I move this amendment. I have copies of it here, if someone wishes to send them to the Chair. I read it a while ago, so I do not have to read it again.

• (8:10 p.m.)

[*English*]

The Chairman: It is moved by the hon. member for Compton-Frontenac that clause 72 be deleted and the following substituted therefor:

72. The bank shall maintain a cash reserve in the form of notes of, and deposits in Canadian currency with, the Bank of Canada.

Such reserves shall not be less than 10 per cent of all its deposit liabilities in respect of all its depositors, for the first year of the present act, and shall be raised by 10 per cent each year, thereafter, until it becomes 100 percent of its deposit liabilities.

Such reserve shall be calculated on the monthly average of the bank deposit liabilities.

Some hon. Members: Question.

The Chairman: Is the committee ready for the question?

Mr. Langlois (Mégantic): Mr. Chairman—

An hon. Member: Talk it out.

Mr. Langlois (Mégantic): I will not talk out the amendment of my own party.

[*Translation*]

Mr. Côté (Longueuil): Are you going to speak for or against the amendment?

Mr. Langlois (Mégantic): Mr. Chairman, in the past I have seen, on the other side of the house, members of the party in power speak against the amendment presented. In the present case, however, the party to which I belong does not compel me to speak for or against an amendment; you may be sure of that. Since I have been elected to the House of Commons thanks to the good sense of my constituents, I am trying to act with

the same good sense. Sometimes, it is the reverse on the other side of the house. Indeed, we witness obvious inconsistencies. In any event, I state for the benefit of those who doubt it, that I favour the amendment.

The hon. member for Compton-Frontenac (Mr. Latulippe) has precisely suggested a simplification of the matter, and his amendment is, after all, rather simple, practical and logical.

If I am referring to it, it is because I understand it. I do not know exactly what the Minister of Finance has stated following a question put by the member for Fraser Valley (Mr. Patterson) on March 10, but he answered:

[*English*]

The minister said:

I have been trying for most of my adult life to understand Social Credit, I have not succeeded very well. But what has puzzled me even more is how anyone could accept these doctrines.

The hon. member for Cariboo spoke about that a few moments ago. I do not understand how the minister can condemn anything which he does not understand. Before approving or condemning something one should know what it is all about, if he does not wish to act in an irresponsible way. Sometimes I think that the minister has a tendency to do just that.

I also believe that ridicule is a way of hiding total ignorance. We have often seen it happen that when someone does not understand a principle or a doctrine he does the ostrich act and hides his head in the sand, or else ridicules it as a form of defence. In such a case what else can he expect but a kick in the posterior? The minister says he does not understand the Social Credit doctrine. If that is so, then obviously he also cannot accept it. Of course it is his privilege to reason that way but this is certainly not my way of thinking.

The hon. member for Compton-Frontenac moved an amendment whereby the bank shall maintain a 10 per cent reserve which shall be gradually raised by 10 per cent per year until its deposit liabilities become 100 per cent. By this process the operations of the bank would be restrained to a certain extent and a totally new credit would be created. Under the clause as it stands at present the bank can maintain 4 per cent to 8 per cent reserves in different sectors, which allows the chartered banks to give credit up to approximately $4 billion without requiring larger savings deposits.

[Mr. Langlois (Mégantic).]

Not too long ago, in 1965, I was called a prophet by the former minister of finance, the hon. member for Davenport. I made the prophecy, and I am still here, but he has changed his seat. My prophecy was made in May of 1965 and anybody who wishes can look it up and check it. At that time the minister lowered the reserves from 8 per cent to 7 per cent, thus allowing the chartered banks to extend loans up to the sum of $1,428 million. This prevented the government from restricting credit in May and early June of 1965. The government planned to have an election in the fall following which credit restrictions would be imposed. If the hon. member for Matapédia-Matane would care to look back to the time in 1965 he would see that there was an election on November 8, 1965 immediately followed by credit restrictions.

In the months of May, June and July the government even cut down expenditures on government construction in Montreal. It tightened the screws wherever it could. This measure gave the bank more power to operate for another two or three months without having to ask for a return on some of the loans it had made. The situation maintained itself until November when the election took place. There was no reason for the election because the government had not been overthrown at that time.

That is what I prophesied in May of 1965 and the former minister of finance called me a prophet. I did not want to be a prophet. All I did was to think logically on the basis of a system which had operated in the same way for the past 40 or 50 years. It will not change today. The present system is following a definite pattern. Some amendments or changes will have to be brought in before the situation can change. At present we live from one crisis to another. We have a high rate of unemployment, credit restrictions, and wide fluctuations in our economy. At one time we have a period of inflation and at another time a period of recession. Then, we have a boom period, but it is fairly short. Normally the country is alternating from one to the other. What is wrong, Mr. Chairman? I feel that we should try to look more deeply into the financial policies of the country. This Bill No. C-222, governs the financial policies of this country. The minister introduces this bill and when it is passed the financial institutions must operate according to its provisions. It will permit the financial institutions, the banking institutions of the country, to operate for

the next ten years. Before we can have another discussion of banking policies in Canada, we will have to wait until 1977.

• (8:20 p.m.)

I believe it is time we looked at this question. There is one aspect of this policy into which the government has not looked deeply enough. Last Friday one of our members made a speech concerning the public sector and private sector of our economy.

[*Translation*]

Mr. Chairman, there are two sides or rather two sectors in our economy; the private and the public sectors.

I might say to the hon. member for Matapédia-Matane (Mr. Tremblay) that I do not object in the least to the banks being allowed to charge interest on their loans. It is their privilege. By lending money they help and we must pay for goods and services.

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

Mr. Langlois (Mégantic): Certainly.

Mr. Tremblay: Mr. Chairman, has the hon. member for Mégantic (Mr. Langlois) calculated what interest rate chartered banks would have to ask the public if they were to keep reserves of 100 per cent, either in bank notes or in deposits with the central bank?

Mr. Langlois (Mégantic): They could operate like the caisse populaire. Let me say this to the hon. member for Matapédia-Matane (Mr. Tremblay): In fact, if chartered banks were to have non-usurious interest rate, a normal interest rate, from which the people of this country would not suffer, then if the bank did not manage, that would be the least of my worries.

In private enterprise, when things do not work out successfully, it is because the goods or services are useless.

Nowadays, the Canadian taxpayer or citizen has to go and kneel before the financial or banking institutions because their system does not allow him to live otherwise. That is where the problem lies.

If we had a system in which human beings are shown some respect, chartered banks could exist if there was need for them. They say themselves that they are private undertakings operated to make profits. If they did not make a profit, I am sure they would be intelligent enough to close shop. And I would not be too unhappy about it.

However, there might be more competition than we have now. Why? Because the individual would not be caught by the throat, or constantly strangled. He could not be told: Go that way or else you're done for. That is what our present system does.

If we could choose between the private and the public sectors, but that is not possible.

I would say to the hon. member for Matapédia-Matane that if he planted potatoes in the school yard, he would be told: You, listen, your potatoes, your onions, your garden, they do not belong to you. As an individual, no, collectively, yes. Then, if you do not have the right to plant potatoes in the school yard, how is it that they have the right to take your savings, as an individual, to pay for a public undertaking? And charge interest to you for a thing belonging to the whole society.

Why not use what is a public property, a public credit, that is the Bank of Canada, to finance the public sector of the economy. I have no objection to private enterprise being financed by private credit or private banks, with interest, because the people have something to do with production.

There is a productive field and a non-productive field; the service sector which is the public field.

A highway produces nothing. It can help the private sector to produce more, but the highway itself produces nothing. After its construction, it starts to depreciate until it disappears completely.

Yet, when depreciation starts, interest begins on the other side of the balance. Ultimately we have a road which has no value at all but there is the capital to repay, and interest which multiplied, which doubled, tripled, depending on circumstances, during 20 or 30 years of payment.

The hon. member for Kamouraska (Mr. Dionne) quoted the example of the Jacques Cartier bridge which was built in that way. After a given amount had been paid for the construction of the Jacques Cartier bridge, it was again paid for in interest. There is still interest owing, as well as the cost of the whole bridge. And that is not a productive sector, it is a public service. Public affairs are financed by interest, capital and money taken from the private sector. Why does the

government, through the Bank of Canada, not finance school boards, which are also governments? Why does the Bank of Canada not finance municipal governments, provincial governments and all that comes under the jurisdiction of these governments, at all the different levels of economy, whether municipal, educational, provincial or federal?

There is a public sector, and it is as ridiculous to ask the private sector to finance public affairs as to ask the public sector to finance private enterprise. Let us distinguish between the two. We would at least then clip the wings of some financiers who profit at all levels.

At the moment, the federal government, which is a public body, has to finance itself by taxing the small private investors in the country. The economy of the country is now completely based upon the taxpayers, the small investor. He is the one who bears all the burden. The small worker has to bear the consequences of all that happens at different levels in the economic life of the country.

When the government borrows money on which interest has to be paid, it signs a debt for each Canadian citizen. That is not the way things should be; the system should not work like that.

Mr. Chairman, if the banks operate, fine. I have nothing against banks lending money. What I hold against the hon. minister and the government is that they give these chartered banks almost unlimited powers, greater even than those of the government itself. But why? Why give this group of nine chartered banks and their directors complete control over our economy?

[*English*]

We cannot permit these conditions to continue. If they are given the green light they can go, but if there is a red light you can stop them for as long as you desire.

• (8:30 p.m.)

The amendment introduced by the hon. member for Compton-Frontenac seeks to raise by 100 per cent the reserves of the chartered banks. This seems to be the principle adopted by the credit unions, though they espouse only 50 per cent, and charge the public a reasonable interest rate. At the moment the banks do not only lend the money they have, but they also create money.

In 1936 the government of the day prohibited the banks from making their own paper money and the Bank of Canada was given the sole right to issue currency. There is in circulation $3 billion and there is a purchasing power of $21 billion. How do we account for this difference of $18 billion when there has only been minted or printed $3 billion?

The minister admitted in committee that the chartered banks were given certain privileges in order to create credit. This is what I am opposed to. This is the prerogative of the Bank of Canada. The task of every member of this house is not to place more power in the hands of the private institutions, the affairs of which the people do not control. The government is responsible for the fiscal and monetary policies of Canada. If it does not control monetary policy it will place into the hands of private organizations the control of the economy of this country, which is what I am objecting to. The minister knows that this is not to the advantage of the Canadian people. The bankers themselves admitted in committee that they were profit making institutions, and not operating purely to the advantage of the Canadian people. In such circumstances how can you place the total economy in the hands of private institutions which are working for their own benefit?

We ask these questions of the minister but do not receive the answers. He says that he cannot control this situation. Why does the minister not admit that it is the banks that control the situation? Because this bill will give them that control. This house will not consider any further revision for another ten years, and if we do not take action today we will be in exactly the same position in ten years time.

I do not agree with the suggestion that the banks are in financial straits. A visit to any town will reveal that in the best located part is to be found a chartered bank. Take for example the present Bank of Canada building, the bank of the Canadian people, and compare it with the Royal Bank on Sparks Street. Prosperity shows. Let us look at the fantastic size of the chartered banks.

The hon. member for Compton-Frontenac talked of hidden inner reserves. There are six or seven different kinds of inner reserves which the banks are not obliged to call upon. How many Canadian private institutions are privileged to the point that that they can hide from the government and the income tax department different kinds of inner reserves? Why are they granted this privilege? Why should we grant that privilege? In comparison they are a mere handful of people. The

Minister of Trade and Commerce could probably tell us about this because he was in the banking business himself.

If we confer upon these institutions further privileges by this bill, it may be good for business but it is not necessarily good for the people. We are not here to confer favours upon little individual businesses. We are here to tend the welfare of the people and to see they get action from the government. The job of the government is to produce the results that the Canadian people expect. If we require a better distribution of goods we will achieve it if we eliminate some of the controls in Bill No. C-222. But if the government maintains their ostrich-like position of putting their head in the sand and leaving their posteriors sticking out, in another ten years we will be faced with a system that as far as I am concerned has produced swings in the economy from recession all the way through to inflation.

I suggest that the minister take a close look at the situation and consider the amendment moved by the hon. member for Compton-Frontenac limiting the powers of the chartered banks in the financial field. They should not be allowed to create credit and charge interest on that credit. This is within the province of the Canadian government, and if the government does not control the economy it can start to take measures to gain control. This would be one of the measures they should take. Therefore I hope the minister will consider carefully the proposition put forward by the hon. member for Compton-Frontenac.

Mr. Cameron (Nanaimo-Cowichan-The Islands): Mr. Chairman, it is not very often that we have a really brilliant new idea but I think we have one here, if only we can make it work. May I just read the amendment so that we know what we are doing:

[*Translation*]

The bank shall maintain a cash reserve in the form of notes of, and deposits in Canadian currency with, the Bank of Canada.

Such reserves shall not be less than 10 per cent of all its deposit liabilities in respect of all its depositors, for the first year of the present act, and shall be raised by 10 per cent each year, thereafter, until it becomes 100 per cent of its deposit liabilities.

Such reserve shall be calculated on the monthly average of the bank deposit liabilities.

[*English*]

If I can translate that correctly—I might point out that I have only the French copy—this is a really brilliant idea. We will get the chartered banks to undertake the job of collecting the savings of the Canadian people in the form of deposits and then make them hand them over to the central bank—a very sound idea. They collect the money and the central bank will lend it.

The only question in my mind is whether the chartered banks would go along with us on this score. They might all go broke, in which case I suppose we would take them over; and in that event we might get all of the 5,000 branches they have across the country at fire sale prices. But I doubt whether the government would go along with this. In fact, I doubt whether the Social Crediters will accept it, because I understand that they are great upholders of free enterprise and do not believe in government-owned banks. That is what I have been told a great many times.

This, Mr. Chairman, is really what the amendment means. We will ask the chartered banks to continue their task of collecting the savings of the Canadian people—savings upon which all advance in the economy must be based—and hand them over to our central bank, and the central bank will then lend the money.

• (8:40 p.m.)

That is a very sound idea, I think, if we could make it work. I notice that we have a representative of the Canadian Bankers Association in the gallery. I suggest to my hon. friend from Mégantic that he go up and consult him, and see whether he can sell this idea to the chartered banks. Then all our troubles would be over.

[*Translation*]

Mr. Caouette: Mr. Chairman, I think the hon. member who has just resumed his seat would have done better by remaining seated instead of rising to talk such nonsense. The amendment moved by the hon. member for Compton-Frontenac (Mr. Latulippe) does not mean that the chartered banks should place on deposit with the Bank of Canada the savings they receive; it is not that at all. They could, like the caisses populaires and the credit unions of western Canada, lend on what they have in cash. That is what is meant by a 100 per cent reserve. If the Bank of Canada is empowered to multiply the money according to Canada's needs or to create money in this country, this does not mean that the chartered banks will disappear, but that any new credit will come from the

Bank of Canada, which is the financial institution of the Canadian people. Once that money is in circulation, people do not keep it in their pockets; they place it on deposit in chartered banks, caisses populaires or savings banks. That is quite natural and the hon. member who has just resumed his seat does not need to have set the world on fire to understand that, or he will never understand anything in his life.

The Créditistes never suggested for a single moment, that the chartered banks should disappear. We suggest that chartered banks use what they have in their drawers. As the hon. member for Lapointe rightly said this afternoon, under this amendment to Bill No. C-222, and as soon as this legislation is passed, the chartered banks will have the right to issue $4 billion in additional credit, without having one dollar more in deposits. It seems to me that the socialist member who has been preaching against finance for 25 years, should know that by now. Is it realized, Mr. Chairman, that $4 billion loaned at 7 per cent, under the new rate, means that which we are placing in the hands of Canadian chartered banks $280 million a year in interest alone?

An hon. Member: Would you allow me a question?

Mr. Caouette: Certainly, Mr. Chairman.

[*English*]

Mr. Cameron (Nanaimo-Cowichan-The Islands): Would the hon. member permit a question? My French, as the hon. member may realize, is defective. Perhaps he would translate these words for me. Do these words, "jusqu'à ce qu'elle soit de 100 p. 100 de passif-dépôts" not mean, "until it is 100 per cent of deposit liabilities"?

Mr. Caouette: Yes, but it is not necessary for the bankers to deposit those reserves with the Bank of Canada. They have only to do what the caisses populaires and the credit unions in the hon. member's own province are doing. They do not ask the Bank of Canada to receive deposits from the public; not at all. We do not want to make laws to suit only the chartered banks, to support the creation of credit for the benefit of only a few individuals in our country. That is what we are up against, and that is what we are fighting. We are not asking the chartered banks to take deposits away from other banks and put them in the Bank of Canada. What would be the use of that?

We admit that the chartered banks have a role to play in our economy, and they will play it notwithstanding that they have 100 per cent reserves behind their loans, as we suggest in this amendment. That is what we mean, and nothing else.

[*Translation*]

Mr. Chairman, the hon. member is showing me that the representative from the Canadian Bankers' Association is in the gallery. I do not know where he is or who he is and I do not care either if he is a director, president or vice president. I am the representative of the electors of Villeneuve; I was elected to defend their interests here, to fight a financial system which crushes everyone, because even the government is not free to do as it pleases.

The power which the banks would have, as soon as this bill is passed, to create $4 billion more in credit, without increasing their deposits by a penny, and to lend it at 7 per cent to the federal government, would mean that the latter would pay $280 million per year in interest alone. Let us say that it is the whole banking system which would accept to lend $4 billion because it is not only the National Canadian Bank, the Provincial Bank, the Royal Bank and the Bank of Montreal. Together they would have the right to lend $4 billion in new credit. It is expansion, not creation. Expansion at 7 per cent; $280 million in interest annually. To the eight Canadian chartered banks, this would mean an additional $35 million a year. Not bad, and by simply providing that from now on total reserves will be 6.6 per cent instead of 8 per cent, instead of 12 per cent.

• (8:50 p.m.)

Mr. Chairman, that is the kind of control they would get out of the interest alone, each bank becoming a millionaire over a period of about four months, according to the terms the house is asked to include in Bill C-222.

Mr. Chairman, the amendment moved by the hon. member for Compton-Frontenac states that reserves shall be 10 per cent of deposits for the first year and shall be raised 10 per cent each year for ten years until it becomes 100 per cent of loans made. As I said a moment ago, if new credit is issued by the Bank of Canada, it does not remain as cash in the pockets of citizens but is deposited at the bank which can use the deposits, as do caisses populaires, to make loans to private enterprise, to individuals, to small borrowers. The chartered banks can do exactly as caisses populaires do, and I do not think it

would affect the banks to any great extent. However, they would lose control over the issuance of credit, over the money supply and credit, because actually this control is in the hands of chartered banks, even if we are told that it is exercised by the Bank of Canada. It is definitely not, for the only function of the Bank of Canada is to cater to the branches of Canadian chartered banks. That is the function of the Bank of Canada. And nobody can tell me that the inspector of the Bank of Canada has the power to dictate to chartered banks, because that is not true. And I dare the Minister of Finance to say otherwise. Chartered banks have absolute control over all credit in Canada. The only function of the Bank of Canada is to wait on the chartered banks. As a matter of fact, we saw it in the committee. Officials of the Bank of Canada were careful not to contradict the Bankers' Association and representatives of the latter were careful not to contradict officials of the Bank of Canada.

Meanwhile, we do not know whether we are coming or going, so many whopping lies and all sorts of insults are being thrown at us. Why? To save the system. Care must be taken not to make the system known to the general public. The general public must be kept in the dark as far as big business is concerned. This is why, when we speak about Social Credit, the old political parties take turns raving against utopians, dreamers, preachers of obscure and foggy concepts.

An hon. Member: Hear, hear.

Mr. Caouette: Mr. Chairman, there goes a bright boy, shouting: "Hear, hear." What does he know about the present system. Nothing. What does he know about Social Credit? Nothing. But during the election campaign they wandered throughout Canada saying, "Social Credit is dangerous. Where has it been applied? It has never been applied anywhere". A very good reason indeed to continue to be victimized by the present financial system.

Mr. Chairman, everybody feels the effects of that system, when we suggest to the Minister of Finance to include in clause 72 of his bill the bank reserves which we are asking, to use the Bank of Canada to finance provinces, municipalities and school boards, we get nowhere. There is no doubt about it we are in a bad way.

Recently, the budget of the province of Quebec upped the sales tax from 6 to 8 per cent. Other items were increased to raise the provincial budget from $140 to $150 million. The Quebec premier was asked: "Have you any other alternative than the increase of the sales tax to 8 per cent? He answered "We had no choice. We had to increase those taxes."

When income tax was increased here to raise old age security from $120 to $240 per year, the Minister of Finance stated: "We have no other alternative. To increase old age pensions, we have to get it out of all the taxpayers' pockets." Well, now—

Same answer at the provincial, municipal and federal levels as well as from school boards. And the system is still grinding away.

Mr. Chairman, have we not had enough of these government's financial acrobatics? The minister told us the other day that we have enough money. We have a lot of money. I never heard him say that we lacked money. But when we ask him something for the provinces, then there is no money left.

When there are federal-provincial conferences in Ottawa, and the federal Minister of Finance, the Prime Minister (Mr. Pearson), the deacons, the sub-deacons, besides this, are all in conference, what is being discussed? The possibility to give something to the provinces? No. They quibble about which of the two will be the first to dig into everybody's pocket. That is the major purpose of the federal-provincial conferences.

When the provinces ask for money, the Minister of Finance says to them: We have no money, we do not create any, we do not make any, we have no other alternative but to borrow and to tax.

Then the premier of Quebec blames Ottawa for having to increase taxes in his province at this time. If Ottawa gave us what we are entitled to, we would not have to increase taxes. All we hear is this: If Ottawa gave us what belongs to us, if Ottawa minded its own business, if Ottawa did this, if Ottawa did that.

Why does the Quebec government say that? Because it would have liked to see the federal government increase taxes instead of the provincial government, increase equalization payments in order to enable the province to finance itself and putting the blame concerning taxes on the federal government. You can understand that, it is as plain as that.

Mr. Guay: It is true.

Mr. Caouette: Of course it is true. But because the federal government does not want to shoulder the burden of a tax increase, then

the province has to go ahead in order to repay the loans made by the former government, and the one before that, the loans made in New York, in Washington, in Boston, in Belgium, in Switzerland, in France, throughout the world; a reimbursement has to be made even to British Columbia; a hundred million dollars to British Columbia.

Mr. Chairman, as the federal government does not want to increase taxes for fear of losing its prestige, the provincial government has no other alternative but to levy more taxes; to save face it has to denounce the federal government. "It is Ottawa's fault if we are compelled to increase the sales tax, if we have to increase the income tax," even if the income tax will be lower in the province, because there are exemptions of $2,000 for single people and of $4,000 for a couple.

My good friend, the hon. member for Chapleau (Mr. Laprise), has nine children. He is a remarkable father. He is entitled to an exemption of $4,000, on provincial taxation, according to the new budget. On the other hand, his $300 exemption per child is taken from him. For nine children the exemption was $2,700. Now, it is gone.

[*English*]

Mr. Sharp: On a point of order, Mr. Chairman. I am very interested in the remarks of the hon. member but do you not think they might be more closely related to the clause under discussion?

The Acting Chairman (Mr. Richard): I am aware that some of what has been said by those who have spoken today has been more or less irrelevant. They have taken the opportunity to speak in this debate to discuss many of the problems involved in the finances of municipalities and the relations between the provinces and the federal government, as well as their pet policies and party doctrines. I would ask the hon. member for Villeneuve, who always understands the interest of the Chair in keeping the debate in line, to refer his comments to clause 72. I believe he has made his point very clearly, as he always does, and I am sure that other hon. members of the house, like myself, appreciate what he is trying to say.

[*Translation*]

Mr. Caouette: Mr. Chairman, I thank you for your kindness and I shall limit myself to clause 72 and the amendment moved by my colleague from Compton-Frontenac (Mr. Latulippe).

[Mr. Caouette.]

I still believe that the whole thing is related to the conditions under clause 72 of bill C-222, since these same conditions allow for the expansion of credit, or the creation of credit in Canada and this very expansion enables the Minister of Finance to tell the provinces: "We have no money to give you, none to lend you, we cannot afford it; you go ahead but tax your own people yourselves".

Mr. Chairman, this is simply an economic machinery in which we are living, precisely and directly linked with the reserves which chartered banks are supposed to keep in the Bank of Canada for credit expansion.

• (9:00 p.m.)

I have something here that directly pertains to clause 72, that is the report of the Carter royal commission on taxation; in the last paragraph of page 2 it is said:

Creating money.

This paragraph has to do with bank reserves.

—The government can simply create money and use this money to outbid private citizens for the resources it needs.

—As we shall show later, the creation of money has an important role to play in the achievement of economic objectives;

The heading is "Creating money", not "The expansion of money" nor "Inflation of money". I read on:

—the creation of money has an important role to play in the achievement of economic objectives; but—

And this is most interesting:

—if practised when all our resources are productively employed, increasing the money supply more rapidly than national output expands can bring about a rapid increase in the general level of prices.

I see that my good friend, the hon. member for Matapédia-Matane (Mr. Tremblay) is happy, proud that I quote these excerpts. But the Carter report rightly says:

—increasing the money supply more rapidly than national output extends.

But if there is balance between the money supply and the national output, is there a risk of inflation?

Today, the reverse is happening. The money supply is not sufficient to permit the normal distribution of the output; such is the problem now. It is not a problem of output but of distribution. Distribution is precisely linked to clause 72, as worded in Bill C-222.

The member for Matapédia-Matane may deny whatever he wants, but let him visit

with me any part of Canada, any area, whether it be Quebec, Amqui, Causapscal, in his own region, Trois-Rivières, as well as Montreal; he will see enormous store inventories and special Easter sales everywhere. No store is afraid to be short of goods the next day, and the member for Matapédia-Matane is not afraid either to find himself deprived.

He knows that if he wants a suit, a hat, or food, there is plenty of all that in every store. On the other hand, he knows that a great number of Canadians do not have the purchasing power to buy from the stores the products they need. The case of production is solved in Canada. There is no Canadian production problems. The real problem is distribution, and distribution is precisely what the Créditistes are battling for because we believe that it is very badly organized.

When a distribution system similar to the present taxation system increases taxes, takes money away from some people to give it to others who do not have any, it does not increase the general or global purchasing power in Canada, it takes from those who have a little without giving much to those who do not have anything. In my opinion, that increases the number of poor people and reduces the number of those who can live better.

Mr. Chairman, that is not a solution. The solution lies in the equilibrium which must exist between the true production of goods and services and the purchasing power in the hands of consumers. When the consumers have the purchasing power, there is no need to worry, demand follows and the products are taken up by consumption. That is what the Créditistes have been advocating for 35 years. The Minister of Finance and Receiver General (Mr. Sharp) has failed to understand that yet. He might never understand it. However, we have at least the satisfaction of explaining to him what we believe in, what we really believe to be in the best interest of the Canadian people, not in the interest of a small group of men in Canada who control everything. No. Of the people who are building up Canada.

Mr. Chairman, Lincoln said:

> Credit and the expansion of credit control the whole economic life of the United States.
>
> It is impossible to have prosperity by discouraging initiative. Initiative is discouraged with a government fiscal and taxation system. It is impossible to strengthen the weak by weakening the strong.

Destroying what is good will not improve the lot of those who live in shacks for instance. It is possible in Canada to give everyone decent and healthy housing.

Let us go then. Let us build something in adapting our monetary system directly to the physical possibilities we have. "You cannot help the poor by destroying the rich." Lincoln said it. "You cannot avoid trouble when you spend more than your income." That is still true, Mr. Chairman.

"You cannot build lasting security on borrowed money." The Minister of Finance should consider that for a few hours before retiring tonight. Sleep on it. The next day he would introduce a logical amendment to the Bank Act.

"You cannot form character and build up courage by depriving a man of his initiative and his self-respect." There is no one like the Créditistes to preach respect for initiative and self-respect of the individual, of the human being. You cannot help men indefinitely by doing for them what they could and should do for themselves. But they must be helped and encouraged to do what they can and should do for themselves. You cannot uplift the employee by crushing the employer. You cannot uplift the little man by bringing down the big ones.

What Lincoln said at that time, Mr. Chairman, is as true to day as it was then, over a hundred years ago. That is why we are saying: Instead of trying as we always do in this house, and throughout Canada, instead of trying to tame men, women and children according to the whims of the financial system, let us once and for all, tame the financial system and make it serve the human beings which make up Canada, a Canada which, in the end, must bring security with freedom to each and every one of its citizens.

Mr. Chairman, that is the perspective in which we see the possibility and the urgency of amending the financial system, not in order to set one class against another or to make some people hate each other, but to create a united Canada, where Canadians feel at home and will always feel at home, where they will acquire financial independence through their bank which we call the Bank of Canada.

Mr. Grégoire: Mr. Chairman, I should like to say a few words on the clause and the amendment now before the house.

In clause 72, we have obviously reached the core of the problem and the very heart of our Canadian monetary system. Clause 72 fixes

the bank reserves, the legal reserves which the chartered banks must maintain in their regular operations. An average of 6.6 per cent is fixed, starting with 12 per cent for demand deposits and 4 per cent for notice deposits.

Mr. Chairman, it is precisely this bank reserve fixed at a certain level which allows the chartered banks to use their reserves, which are legal, and then to multiply them by 12½ under the former system and by 15 under the new one. And by that multiplication, banks create credit.

• (9:10 p.m.)

What we ask, Mr. Chairman, and what we have been straining to ask for some ten days, during consideration of the Bank of Canada Act, and again today during consideration of the Bank Act, is that credit be created by the Bank of Canada rather than by the chartered banks. This afternoon someone quoted the following statement made by the parliamentary secretary to the Minister of Finance and Receiver General (Mr. Chrétien):

> Money does not grow on trees. It must be obtained either as taxes from taxpayers, or as loans.

Those are the only two methods found by the parliamentary secretary to the Minister of Finance and Receiver General when it comes to formulating the budget of the government: to take money, either as taxes out of the pockets of the public, or as loans.

Well, Mr. Chairman, this afternoon I heard the hon. member for Villeneuve (Mr. Caouette) say a very clear sentence, which is a very good illustration of the problem, and I wonder whether the parliamentary secretary to the Minister of Finance and Receiver General, by recalling this, or at least by having recalled to him what happened at the beginning of the war, will not realize that there are other monetary sources. That is what happened when the war broke out in 1939.

They are certainly not going to make us believe, Mr. Chairman, that when the Canadian government wanted to finance a war, which cost it about $14 billion, it got that kind of money from the pockets of Canadian citizens. No there was no money in there. Canadians certainly did not have the $14 billion required to finance the war.

In the United States, the situation was no better. The beginning of the war was for them the end of a depression. There was no more money in the United States to finance everything that the Americans spent during the 1939-45 war than there was in Canada before the war. Therefore we could not have borrow it or find it somewhere else to wage States since the Americans themselves had to borrow it or find it somewhere else to wage their war.

We could not borrow it either from France or Italy or Germany or England; on the contrary, we were lending money to England. We were able to find money during the war, which was quite a feat, and yet when war began, the government was dead broke, as well as the provinces, the municipalities, and the school boards, and Canadian citizens were in the midst of an economic crisis, they lived on relief with meager amounts which barely allowed them to exist.

Suddenly, overnight, a madman in Europe declared war; Canada found money to buy cannons, cannon balls, planes, warships; it found some more to lend England billions of dollars during the six years the war lasted. Suddenly money was found, not in the pockets of the Canadian people, because they did not have any money, they were dead broke.

Therefore, Canadian citizens did not pay for the 1939-45 war, nor for the loans to England, with their taxes. No, and we could not borrow from the United States or England since we were lending them money, nor from Germany or Italy. So where did we get it? How is it that during a period of depression, from 1929 to 1939, during ten years, the government allowed itself to let all the people of Canada in misery and, suddenly, when war was declared, the funds needed were found? There was always money to finance the war and it was never necessary to do it on finance. I have never heard of a Canadian airman dropping bombs on Germany and then sending the bill to the finance company saying that he had 24 months to pay. Indeed, bombs were not paid through finance companies but were dropped free of charge on the Germans. They just got them, nothing more. Money was found for all kinds of things, whereas money was scarce during the depression.

People rightly complain nowadays about the difficult housing situation. I heard an N.D.P. member, the hon. member for Danforth (Mr. Scott) move this afternoon the adjournment of the house in order to discuss an important problem, namely the housing shortage in Canada. The Conservatives supported the motion and I did too. Everybody admits, including the Liberals, that there is a housing shortage. There is no money, as during the 1929-39 depression, when no money could be found for public works, for hospital and road

building. When the war came, all the required money was found to make all cannons, bombs, planes and submarines needed. And now, there is—

The Acting Chairman (Mr. Richard): Order, please. Would the hon. member for Lapointe please return to the subject of the amendment? He started off well by dealing with the amendment concerning the "currency reserve in the form of bank notes and deposits in Canadian money—

Mr. Grégoire: Precisely, Mr. Chairman, I said so at the outset. It is that reserve and the interaction of reserves which enable banks to create money. We maintain that banks create money, but that they do not create it according to the needs of the country. They create it with flair, with feeling and perhaps a little judgment, but that is not too sure. Since the minister is not sure, we cannot be either. Then, I am referring precisely to that section which deals with the creation of credit, and I was saying that chartered banks whose role and duty today is to create credit, are not doing it as they should, since even though they control credit creation, they are not successful in settling our credit and money problems.

That is my point and it is precisely because banks perform badly the duty assigned to them under the Bank Act, that we want that duty to be taken away from them and entrusted to the Bank of Canada which should perform it much better than chartered banks have done. That is why I say that chartered banks which during the 1929-39 depression had the same powers as today, have perfomed their duty so badly during the depression that they have maintained the Canadian people in poverty. But when a war breaks out, then they are forced to play their part. Then all of a sudden they made a decision—if it is a question of manufacturing lethal instruments—they decide to fill accurately the part they are entrusted with, under clause 72 of Bill No. C-222, and during the war, they put money into circulation, in great quantity, to destroy their fellow men.

Then when peace is restored and a constitutional crisis arises much as the one we are witnessing at the present time. The chartered banks are not playing the part assigned to them, under clause 72, namely that of creating credit. They do not create the credit that is necessary to enable the building industry to pick up again, and that is why we are going through a stagnation period. It is not only in the building industry. I have here Mr. Chairman, an article, which proves precisely what I am saying, namely that chartered banks do not play the part assigned to them, under section 72 of Bill C-222. Here is the title of the article: "300,000 Montrealers want to have their place in the sun." Mr. Chairman, the hon. member for Lévis may joke, but in fact, in his own constituency of Lévis, there are also people calling for their place in the sun, who would like not only to exist but to live, who do not want to be satisfied any more with a mere pittance such as is allowed them by the government at the present time, but who would like to have more than that.

The Acting Chairman (Mr. Richard): Order. The hon. member for Lapointe heard me, a while ago, asking him to come back to the amendment to section 72. I am therefore asking him to come back to the subject before us.

• (9:20 p.m.)

Mr. Grégoire: Mr. Chairman, that is exactly the point I am on. The amendment asks that chartered banks stop creating credit, that the Bank of Canada do so instead. Why do we ask that? I told you a moment ago; it is because we realize that chartered banks have failed as creators of credit and we think that the Bank of Canada could do better.

I was precisely trying to prove that chartered banks have been remiss in their duties and have allowed Canadians to live in extreme poverty. I was saying that the hon. member for Lévis (Mr. Guay) may joke about it, but let him try and explain to his constituents the building situation now, in Lévis as elsewhere, where all companies stop making loans, banks cannot advance money for loans on mortgage. The building industry is going through a crisis seldom matched since 1867.

The hon. member for Lévis may joke but this is not a laughing matter. Things are really serious. The hon. member for Lévis may joke behind the curtains but he never rises, for instance, to say something worth while to protect the interests of his constituents in the house. He is one of those members who keep silent, who never speak except to joke behind the curtains, who is afraid to express his opinion on the crisis in the building industry. [*Sundry noises*]

The Acting Chairman (Mr. Richard): Order. I would ask the hon. member to allow the hon. member for Lapointe (Mr. Grégoire) to continue his speech. Once again, I would remind the hon. member for Lapointe who is quite

experienced in this house that he surely knows he is departing from the rules and that he could keep some of his remarks for another time. He should deal at the moment with the reserve mentioned in clause 72.

Mr. Caouette: Mr. Chairman, I rise on a point of order. I think you are right to call the hon. member for Lapointe (Mr. Grégoire) back to clause 72 of Bill No. C-222. Only, does the hon. member for Levis (Mr. Guay), sitting behind the curtains, have the right to grumble all the time, to interrupt all the time and to try to annoy the hon. member for Lapointe? And yet he knows that he cannot faze him.

The Acting Chairman (Mr. Richard): I agree with what the hon. member for Villeneuve (Mr. Caouette) has just said, and I have even asked the hon. members to allow—order, please—the member who now has the floor, the hon. member for Lapointe, to finish his speech without interruptions. I might add that I have been sitting in this chair for quite some time, and I think we would have finished dealing with many clauses already, had there been no interruptions.

Mr. Grégoire: Mr. Chairman, I thank you for calling the hon. member for Lévis to order. I forgive him, Mr. Chairman, because I imagine he must be frustrated—

The Acting Chairman (Mr. Richard): I would ask the hon. member for Lapointe not to go astray, once again, because he only has a few minutes left and I would like to learn something about clause 72.

Mr Grégoire: Mr. Chairman, I would be only too happy to enlighten you, but I could not teach the hon. member for Lévis anything because he does not want to learn.

Mr. Guay: Not your brand of learning anyway.

Mr. Grégoire: More interruptions, Mr. Chairman. You can see he does not care one bit about the rules or your authority. That stems from the frustration of never being able to speak in the house, and if it can be any consolation, if it can simmer him down—

The Acting Chairman (Mr. Richard): Order. I would ask the hon. member for Lapointe, who has enough experience here to know that nobody questions his ability to talk, to carry on with his speech and refrain from looking at the hon. member for Lévis.

[The Acting Chairman (Mr. Richard).]

Mr. Grégoire: I should not do so very long, Mr. Chairman, because it is not worth it. I was on clause 72, more particularly on the amendment dealing with transferring the power of creating credit from chartered banks to the Bank of Canada. I think this should be done because, considering the way chartered banks have abused this privilege granted to them under clause 72, it must be taken away from them.

The purpose of the amendment is to put back in the hands of the Bank of Canada the privilege to create credit. Everybody knows that chartered banks do create credit today; everybody knows also that they make poor use of this privilege because, they have not met in the monetary field the needs of Canadian citizens.

It should be noted that at the hands of chartered banks, this privilege to create credit is far from reaching its goal. And after all, what is the aim of credit? The purpose of a monetary system is to allow citizens of a country to enjoy what they produce and their natural resources. Here, in Canada, it cannot be said, in the framework of the present system, that our citizens can take advantage of their natural resources, or of their productivity.

When we say, Mr. Chairman, that the chartered banks, having the privilege to create credit according to clause 72, do not even know how to use it to assist consumption, and that when a Canadian citizen must buy something on the instalment plan, whether because of the price or because that an article retains a certain value for a long time, like a house or an automobile, Canadian citizens are not able to apply to the chartered banks, or at least, very seldom, they must instead use the finance companies where the interest rates are much higher. And in return, these companies will be financed by the chartered banks which will simply endorse the bills of the purchasers of cars or furniture. But then, the consumer will have to pay a very high interest rate whereas if he could simply have dealt with the creator of the credit he could have taken advantage of it at a much lower interest rate.

Mr. Chairman, this is the purpose of the amendment: to take away from the chartered banks a privilege which they used badly in the past. And the advantages that would accrue to Canada, if the creation of the credit were passed on to the Bank of Canada: first, the Bank of Canada would do all the public financing interest free, because the Bank of

Canada does not aim at profits, whereas this is one of the goals of the chartered banks.

The objective of the Bank of Canada is to serve the country, not to make profits, whereas the chartered banks aim at profits. They charge high interest to grant loans to the municipalities, the federal and the provincial governments, and these interests that these different governments must pay every year represent too great a part of the governments' estimates.

Mr. Chairman, let me give you an example of what would happen if the creation of credit were entrusted to the Bank of Canada instead of the chartered banks. It was calculated that in 1966, the latter created credit to the tune of almost $1,900,000,000 and that credit was new credit.

Mr. Chairman, calculations were made to see what it would represent in Quebec if some day the Bank of Quebec were to create credit for the province of Quebec. Basing ourselves on the principle that Quebec would not benefit from an increase of $1,900 million, which amount was for the whole of Canada, but merely on 28 per cent, namely $500 million per year, the increase in credit if those $500 million were loaned without interest for a term of 25 years, to be reimbursed at the rate of so much a year, $20 million a year during 25 years, well, Mr. Chairman, if one figures out the increase that would represent each year at an annual economic growth rate of 5 per cent a year, with reimbursements without interest from municipalities, or school boards or the Quebec government itself, without interest; if all that were taken into account, after 12 years, the Bank of Quebec could loan each year, without interest, for public development, an amount of $3,225 million, which represents almost twice the overall economic growth in Canada at the present time.

Well, Mr. Chairman, if that holds good for Quebec, I cannot see why it should not apply to the whole of Canada. Personally, I figured it out according to the Quebec level. One can see the continuous increase involved in this endeavour to favour economic growth or public development, without charging a single cent of interest to the budgets of the municipalities, the schools or the province of Quebec itself.

• (9:30 p.m.)

Well, if such an increase can be possible in the single state of Quebec, you can imagine, Mr. Chairman, what this would represent for Canada as a whole. The point is to effect a simple change in clause 72 of the Bank of Canada Act: not to leave in the hands of the chartered banks the creation of credit, but to vest it into the hands of the Bank of Canada.

The question is to amend the clause and not to ask the chartered banks always to keep $100 in legal tender, when they have to make loans amounting to $100 or when they receive a deposit of $100, it is a matter of asking them to operate on the same basis, according to the same regulations and subject to the same privileges and to the same rights nothing more than what the savings banks are doing at the present time. We shall study somewhat later the bill concerning the savings banks, as well as the caisses populaires, the credit unions and the trust companies.

And if chartered banks were placed on an equal footing with those other economic institutions, well then, they would no longer over a year, create a single cent of credit, but this would be done by the Bank of Canada. And this was very ably expressed by a member of the New Democratic Party this afternoon; whether the money comes from the Bank of Canada or the chartered banks, provided it comes in equal quantity, the monetary supply will not be increased, nor inflation be produced; however, this will provide for the budgets of the municipalities or any other level of government some savings equivalent to the interests that these various departments of the government must pay each year.

And when one considers the tremendous amounts that must be spent by the various governments only for interests on their debts, well, Mr. Chairman, one can reflect that a whole portion of our economic growth escapes from us, escapes from the citizen. And who will benefit by this? Some bankers. And this is what we object to.

We know that precisely because the chartered banks are the institutions entitled to control credit according to clause 72, the federal government pays in interest on its debt each year the amount of $1 billion. This year, the government will pay $1,273 or $1,283 million, and next year the amount will be even larger, since the interest increases each year.

After our election in 1962, in one of my first speeches in this house, I tried to point out that the amount of interests we were paying on Canada's debt was astronomical. During

my first year of office as member of the house, when I saw the astronomical amount that we were paying in 1962 in interests only, I was completely astounded. And then, I believe that the amount was of the order of $770 or $775 million.

Well, Mr. Chairman, in five years, that is one year with the Conservatives and four with the Liberals, the interest on the national debt increased by $500 million. These last five years, the interest on the debt has risen at a rate of $100 million per year, that is more than any other item in the federal budget.

Mr. Chairman, we have today the opportunity of putting an end to all that by amending clause 72 of Bill C-222 and, as suggested by the hon. member for Compton-Frontenac (Mr. Latulippe), of withdrawing from the chartered banks the privilege of creating money and putting it into the hands of the Bank of Canada which, in turn, will grant interest-free loans to the federal government, the provinces, the municipalities and school boards. I see that a member is willing to support that right away. He should rise and support the amendment. We are happy to see that at least one member has seen the light, namely the hon. member for Bonaventure (Mr. Béchard). I see him only when he comes in my corner to mumble; otherwise he never speaks, except perhaps to read, from time to time, figures and question numbers.

So, Mr. Chairman, for the reasons I just explained, I say that the amendment is highly justified, that it will ensure enormous benefits to the various levels of government in the balancing of their budgets as well as considerable advantage for the economic growth of the Canadian people, and that is what we all wish after all.

Consequently I ask why the Minister of Finance would not accept the proposed amendment, after all the explanations we gave him, after the detailed description of the situation? It would enable him to recover, for the benefit of the people of Canada, the greatest of all possible privileges, that of creating credit, which should not be left with a few individuals, but should be vested in the Bank of Canada.

The Acting Chairman (Mr. Richard): Is the committee ready for the question?

Mr. Caouette: Mr. Chairman, just one word.

Some hon. Members: Oh no, oh no.

Mr. Caouette: I hear some members say: "Oh no, oh no".

[Mr. Grégoire.]

Are we going to pass a bill enabling people to continue their exploitation for another ten years? Now the Liberals are blaming us. But there was a time when the Conservatives spent three whole months discussing the adoption of a flag, and that was tolerated. But the financial question, without which perhaps not a single Liberal member would have been elected, that we must not discuss.

Mr. Chairman, in 1962, as reported on page 1290 of *Hansard* for November 5, an amendment was proposed by the hon. member for Red Deer (Mr. Thompson) which read as follows:

—that the amendment be amended by adding the following at the end thereof: "and replaced with a policy of debt-free money and constructive proposals to foster balanced domestic economy and balanced international trade."

A little later on in the day a vote was taken, as reported on pages 1350 and 1351. The Conservatives were then in power, the Liberal in the opposition. And I see those who voted in favour of debt-free money, that is of going to the Bank of Canada to benefit from a debt-free monetary system. Here are but a few of those who voted in favour of it:

Béchard, Benson, Boulanger, Cardin, Drury, Dupuis—

The one who laughed at us.

—Gordon, Hellyer, Nicholson, Pearson, Pennell, Pickersgill, Pilon, Richard, Sauvé, Turner.

Several other Liberals voted for the debt-free money.

• (9:40 p.m.)

Now, we have here an amendment favouring the creation of debt-free money and those who voted in favour on November 6, 1962, look at them blush now. As if they were not red enough, they get even redder. Wanting to annoy the Conservative government of the time, the Minister of Transport voted with us. He was in favour of debt-free money. Now that they are in office, that we ask for debt-free money, they are against the principle for which they voted in 1962. That is the logic of politicians more concerned with their seats than with their constituents. That is important.

Mr. Chairman, the hon. member can talk of mistakes in reckoning as much as he wants; his name is recorded in *Hansard*.

Mr. Grégoire: Is it because the hon. member did not know for what he was voting?

Mr. Caouette: Then it would be serious.

Mr. Chairman, the parliamentary secretary to the minister, Mr. Chrétien was not a member at that time. If he had been, he also would have voted for debt-free money.

Mr. Chrétien: That is a hypothetical question.

Mr. Caouette: A political, yes. But the government now makes a political issue with the monetary question. Not simply a question of economics. An effort is being made to bamboozle us. They are trying to lull the committee by saying: "Quick. Hurry up and adopt this Bill No. C-222 if you want Easter holidays." Why was this whole Bank Act with section 72 and all the others, not brought down six, seven or eight months ago? But no, they always wait until the last minute and then they tell us: "Hurry up and carry the bill. Hurry up and vote the amendments brought down by the government. Hurry up and vote the sections of the bill."

Mr. Chairman, there is no fooling around with a bill that will be in force for the ten years to come. The entire membership of the house, whatever their party, cannot be asked to vote blindly on such a bill.

Mr. Chairman, we maintain that if our amendment of November 5, 1962, introduced by the hon. member for Red Deer (Mr. Thompson) was valid at the time, since the Liberals voted for it, today March 20, 1967, six days before Easter, it is just as valid today: Adopt a debt-free monetary policy.

I see the hon. member for Matapédia-Matane is nodding his approval.

Well, Mr. Chairman, what we suggest is that the minister recommend to parliament the adoption of legislation which will not bring about inflation, but rather the economic balance needed by this country.

Unfortunately, too many countries now suffer from economic chaos, terrible and incredible economic conditions. Here in Canada we have the physical means and we could have the financial means to create an economy as stable as possible. The only way to do this is to have a financial system reflecting as much as possible our physical potential.

What does this mean? It means to make financially possible what is physically possible and desirable. It means that there would never be any inflation or deflation. There would always be a perfect balance between the purchasing power of the Canadian consumers and the production which is the work of Canadians, of the Canadian people and of Canada. That is all that the Créditistes ask for. We do not, as the hon. member for Lapointe (Mr. Grégoire) rightly pointed out this afternoon, ask that an unlimited number of bank notes be printed; this was never part of Créditiste policy.

The Créditiste policy, the Créditiste doctrine, the Créditiste philosophy, means the balance between the consumers' money and the Canadian production. That is what we want and that is why we are asking the committee to support and to pass the amendment moved by my colleague, the hon. member for Compton-Frontenac (Mr. Latulippe).

[*English*]

The Chairman: Is the committee ready for the question?

Amendment (Mr. Latulippe) negatived: Yeas, 7; nays, 47.

The Chairman: I declare the amendment lost. Shall clause 72 carry?

[*Translation*]

Mr. Latulippe: Mr. Chairman, on clause 72.

Mr. Grégoire: Mr. Chairman, on clause 72 I note that, at this time, the government that does not have very many opportunities to vote on such matters, has just voted and rejected the idea we had brought forward, without any counter-opposition.

[*English*]

The Chairman: Order, please. The hon. member for Lapointe is now reflecting on the vote just taken. I suggest that the proper thing for him to do at this time is to direct his remarks to clause 72 now before the committee.

[*Translation*]

Mr. Grégoire: Mr. Chairman, it is not at all my intention to comment upon the vote, and I will not do it either. I simply wish to mention that while we rejected the amendment, we did not deem it necessary to make any alternative proposal. I am in order, which may shock you, but let the Liberals remember what they did in 1962; their systematic obstruction campaign was much worse than ours, which is not a filibuster after all.

Mr. Guay: That is a fine filibuster.

Mr. Grégoire: You are the ones who did it when you prevented someone from speaking in this house.

Mr. Chairman, I will simply read a paragraph from the article the title of which I was just quoting which is an ironical illustration of what we are trying to make you understand. Here is what it says:

In the shade of the sky-scrapers, in the heart of Montreal lies the decaying world of slums.

Skyscrapers on one side. To whom do they belong? To banks. The large building at the corner of Dorchester and Peel? To banks. Place Ville-Marie? To banks. And in the vicinity of those imposing buildings, of sky-scrapers in the centre of Montreal stagnates a world of slums, those old districts built more than a century ago and where some 80,000 families are living.

[*English*]

The Chairman: Order, please. I am sure the hon. member for Lapointe must realize the remarks he is now making, while having something to do with banking, are not very closely related to the clause before the committee. Again I invite him to confine his remarks to clause 72. I am sure that he wishes to go along with the committee in the work that the committee is trying to do, and also to assist the Chair.

• (9:50 p.m.)

[*Translation*]

Mr. Grégoire: Mr. Chairman, I can assure you that it is exactly what I want to speak of, that is section 72; but to illustrate an idea sometimes, one needs testimonies of others and this is precisely what I was doing when I quoted a five-line sentence to emphasize the fact that section 72 does not render service to the people.

Then, Mr. Chairman, if you allow me to read those five lines that would be a clear testimony confirming my allegation to wit that section 72 of Bill C-222 is far from doing a service for the Canadian people. And this testimony—I quote or I repeat it where I stopped when I said:

In the vicinity of skycrapers, stagnates a world of slums. Those old districts built more than a century ago shelter some 80,000 families with an income which seldom exceeds $2,000 per year.

And now banks are authorized to create credit under section 72. Nothing is changed to that even if the effect of the system is to encourage stagnation—as above mentioned—80,000 families, 300,000 persons in the most abject poverty with an income which does not exceed $2,000. And all this in the vicinity of the skycrapers in the centre of Montreal. Banks are encouraged by section 72 of the Bank Act which enables them to create credit and lend it under terms favourable to them.

It is owing to that act, owing to that clause 72, that chartered banks can allow themselves to create credit, which makes them grow million and billion dollars richer, which enables them to build skyscrapers, to which I do not object, Mr. Chairman, far from it. But the sad thing is that banks are selfish; they do not care about the people and they let stagnate under the shadow of their sky-scrapers 80,000 households, 300,000 people whose revenue never exceeds $2,000.

It is that system, Mr. Chairman, that must be changed, it is that system where credit, the sinew of the economy, is controlled by a few bankers, a few individuals, who are using it for their own profit, while they are neglecting the Canadian citizens, the Canadian people.

Something will have to be done, Mr. Chairman, to cope with such a situation. We suggested the Bank of Canada should do it instead of the chartered banks. That was not accepted by the majority. Could the Minister of Finance and Receiver General tell us whether he intends to bring forward some other kind of measure or some other kind of system or of scheme, so that clause 72 could be amended? If the government does not want to take away completely from the chartered banks that privilege of creating money, would not the government be prepared then to grant them part of that privilege, on a trial basis? If the government thinks it too great a danger to put 100 per cent of the creation of credit into the hands of the Bank of Canada—and it is its last opportunity to do so with clause 72, once that clause will be passed, there will be nothing more to be done in that field. Would it not be possible, at

least for the government, to grant say 5 per cent of the credit privileges to start with, on a trial basis? And if things go well for a year, well, if it brings about the results we are expecting, we shall try 10 per cent and the following year 15 per cent. And if this does not work, Mr. Chairman, we will be the first to admit it and we shall say: "It is true, you were right". But at the present time we are convinced, and logic, figures, statistics, the scientific basis of an economic system are here to prove it, it could not go wrong. Therefore, in order to convince and reassure yourself, try it. Let us say 5 per cent for a year; instead of having a 6.6 per cent reserve, let us have a 1.6 per cent reserve and let the government create another 5 per cent of credit. We shall see then if the idea was a good one.

[*English*]

Mr. McIlraith: Mr. Chairman, I ask that the committee rise, report progress and ask leave to sit again later this day.

The Chairman: Shall I rise, report progress and request leave to sit again later this day or at the next sitting of the house, as the case may be?

Some hon. Members: Agreed.

Progress reported.

Mr. McIlraith: Mr. Speaker, I move, pursuant to standing order 6 (2), that the house continue to sit after ten p.m.

Mr. Starr: Mr. Speaker, it was agreed earlier that we would be prepared to co-operate to the extent that we would sit until this bill was passed in its entirety, with the exception of third reading. However, over the past two hours we have had to sit here and listen to a discourse from the other side of the house and have been prevented from reaching the clauses on which we had a few comments to make. If this continues I am a little dubious about agreeing to sit, because we are only wasting our time. Unless the government house leader is prepared to give some assurance that we will move from this clause to other clauses at once, then we are not prepared to go ahead. But if this does happen we are prepared to sit to complete this bill, with the exception of third reading.

Mr. McIlraith: Mr. Speaker, I do not know that it is possible for me to control the debate on this clause, and I am sure that that is not what the hon. member for Ontario meant. In any event what I will do is this: If we do not make progress on this clause in very short order I will move that it stand and that we proceed to other clauses, if that is agreeable. I am trying to meet the wishes of the hon. member in what I think is the most practical way.

Mr. Starr: Under those circumstances, Mr. Speaker, we could not agree to a motion to have us sit without any time limit stated. Under the circumstances I think we are prepared to have the motion amended to read that we sit until eleven o'clock. We can then see what progress we have made by that time, and we may be inclined to do otherwise when that period arrives.

[*Translation*]

Mr. Grégoire: Mr. Speaker, if I may suggest something, because I am convinced that those who speak on this bill which we consider important, are ready to co-operate and get on as fast as possible.

Mr. Speaker, I have a suggestion to make to the house leader; he should try to muzzle, a certain group of members who, I think Mr. Speaker, delay the debate, or at least prevent them from barking or purring. We are ready to co-operate and I would suggest that something be done to teach them good manners.

[*English*]

Mr. Deputy Speaker: Order, please. I think the hon. member for Lapointe (Mr. Grégoire) is now debating the motion before the house. I am sure he is quite familiar with standing order 6 (2), which states:

> No debate or formal vote shall be held on such a motion to extend a sitting.

Mr. McIlraith: Mr. Speaker, the difficulty is that if we wished to continue we could not put another motion. That is a difficulty in which we would find ourselves. I am willing to go along with the suggestion and try to meet what I think the hon. member for Ontario has expressed to be the wishes of his party. I think this can best be achieved by

leaving the motion as it is. There seems to be a willingness to co-operate. We will see how we get along, and if necessary, if we do not make progress, I can then move that the house adjourn.

Mr. Monteith: Mr. Speaker, would the house leader give the commitment that he will move that the house adjourn at that time, if we do not make progress?

Mr. McIlraith: Yes, Mr. Speaker, if no progress is being made. I would also reserve the right to move that clause 72 stand if it is clear that we are not getting ahead—if it is clear that progress is not being made with clause 72.

• (10:00 p.m.)

Mr. Lewis: Mr. Speaker, for our part we think the minister ought to be a little more definite than that. If Créditiste and Social Credit members find it necessary to debate at length, that is their business. Other amendments are to be moved. We have one or two that the hon. member for Nanaimo-Cowichan-The Islands will move and we think they are important. We have been waiting for days to move them. I do not think they can be listened to, let alone be discussed intelligently at twelve o'clock or one o'clock in the morning. We are not prepared to agree to sitting indefinitely.

Mr. Horner (Acadia): I agree with that.

Mr. McIlraith: There is some misunderstanding of the procedure. The real difficulty, as hon. members know, is in getting third reading after the present stage has been completed, so that the bill may go to the other place where it must be considered. It was in an effort to meet that requirement that I think all representatives of all parties discussed some formula for getting forward tonight with the clauses as far as we possibly could, with a view to finishing third reading tomorrow.

It is a matter of meeting this situation in a practical way that will best meet the wishes of all parties. I should prefer to leave it that we continue to sit; then, I shall consult wtih the house leaders about the rest of the evening, and I will move the necessary motion depending on progress. If we are making good progress and everybody is satisfied, there is no point in our being confronted with a situation where there is a time limit. We can move the motion to continue if it meets with the wishes of everybody.

Mr. Lewis: May I suggest that perhaps we sit until eleven o'clock, by unanimous consent, without the motion?

Mr. McIlraith: No.

Mr. Lewis: At eleven o'clock if we are making progress the minister can move the motion.

Mr. McIlraith: That is precisely the difficulty. The minister cannot move this motion then. He has to move it before ten o'clock. Having moved it before ten o'clock tonight, he does not want to lose that right. It is precisely that difficulty arising out of the interpretation of the standing order that made it necessary that the motion be moved now.

My offer is, if we are not making progress, to adjourn at eleven o'clock. I will keep in consultation with the other house leaders to see what progress is being made, to try to meet the wishes of all parties.

Mr. Horner (Acadia): Not agreed.

Mr. Starr: I agree with the minister, if there is an indication that we are making progress. But we have been discussing clause 72 for the past 5½ hours and some members have made three and four speeches on it. If we make no greater progress this evening than we have made for the past 5½ hours I see no reason for staying here until morning.

Mr. McIraith: We can move the adjournment of this house at eleven o'clock.

Mr. Starr: I want it clearly understood, and I want an undertaking to this effect from the government house leader that, if no progress is made, at eleven o'clock we shall move to adjourn.

Mr. McIlraith: That is agreeable. That is what I thought I said earlier.

[*Translation*]

Mr. Caouette: Mr. Chairman, I will not be long. We agree with the proposal of the minister that we sit until eleven or eleven thirty. We want to pass the bill. Now if we spend fifteen or twenty minutes discussing whether

we should or should not continue to sit, that will leave us less time from now until eleven, when there are many clauses on which we would undoubtedly like to move amendments.

In any case, we agree with the proposal of the government house leader.

[*English*]

Mr. Patterson: I do not know why the hon. member for York South (Mr. Lewis) brought the Social Credit party into his discussion.

Mr. Lewis: I withdraw.

Mr. Patterson: We of the Social Credit party have taken little part in today's debate. We have made our position clear.

Mr. Monteith: What about last Thursday and Friday?

Mr. Patterson: We have made our position clear on this legislation dealing with banks and banking. While we do not agree with every clause, we realize the importance of getting ahead with the bill as quickly as possible.

Mr. Deputy Speaker: Is it the pleasure of the house to adopt the said motion?

Mr. Grégoire: What motion?

Mr. Deputy Speaker: The motion moved by the Minister of Public Works is that this house sit beyond ten o'clock. Is it the pleasure of the house to adopt the said motion?

An hon. Member: On division.

Motion agreed to.

BANK ACT

DECENNIAL REVISION AND EXTENSION OF CHARTERS

The house resumed consideration in committee of Bill No. C-222, respecting banks and banking—Mr. Sharp—Mr. Batten in the chair.

The Chairman: Is the committee ready for the question?

Some hon. Members: Question.

[*Translation*]

Mr. Grégoire: Mr. Chairman, I would like to ask that this clause be put to a vote because I object to it and I would like to vote against it. I then ask that this clause be put to a vote.

[*English*]

Clause agreed to: Yeas 65, nays, 8.

The Chairman: Clause 75.

Mr. Monteith: I wonder whether it would not be preferable to go back to clause 29 and clean that up.

Mr. Sharp: I think an undertaking was given the hon. member for Compton-Frontenac that we should revert to clause 69.

The Chairman: I apologize to the hon. member for Compton-Frontenac. That agreement was made this afternoon.

On clause 69—*Report on excess appropriations.*

[*Translation*]

Mr. Latulippe: Mr. Chairman, I wish to thank the hon. Minister of Finance for having suggested that the house study again clause 69, because it had been passed Friday last. Inadvertently I did not rise in time to put forward my amendment.

Since the Minister of Finance has helped me to have this clause reconsidered, maybe he will vote with us.

Mr. Chairman, section 1 of clause 69 reads as follows:

> (1) Where in the opinion of the minister an amount set aside or reserved by the bank out of income, either by way of write-down of the value of assets or appropriation for the purpose of meeting losses on loans, bad or doubtful debts, depreciation in the value of assets other than bank premises or other contingencies, is in excess of the reasonable requirements of the bank, having regard to all the circumstances, the Minister shall notify the Minister of National Revenue of the amount so set aside and of the amount of such excess.

That means that this is left up to the bank and to its point of view, if it is a reasonable one.

Then, who is going to determine whether or not it is reasonable? It is a vague clause. I believe it is most important when it has to do with secret reserves, hidden reserves or indiscreet reserves, call them what you like. There are excessive amounts, there are quite high amounts which the Minister of Finance, I think, does not know because I asked him when he was before the committee whether he was aware of those reserves and he said yes. I asked him what was the amount of those reserves and he could not answer me. He did not know the amount of the reserves and it is very plainly stated in the clause that the Minister of Finance cannot take any action with regard to the matter of secret or secondary reserves.

Banks already have enough reserves of all kinds that they must not be given a free hand with the other secret reserves, which would be limited only by their own judgment, under the present act, for "The reasonable requirements of the bank."

Who is going to determine what are reasonable requirements? The Royal Bank, for instance, in 1933, during the depression, transferred, in that one year, $15 million from its general reserves to its secondary, secret and hidden reserves, as reported on page 306 of the French version of the proceedings of the standing committee on banking and commerce, in 1934. Page 4 contains many other monstrous statements concerning secret bank reserves.

The Minister of Finance told the house on two or three occasions that, for the first time, chartered banks would be forced to disclose their secret reserves. Now that deposit insurance has been introduced, banks have even less reason to have unlimited secret reserves, left at the discretion of bank directors.

Surely, the limit is set high enough—I think it is one half of 1 per cent—when we know that deposit insurance easily covers a guarantee of 1/30 of 1 per cent, as insurance premium, of all the deposits in Canada and of companies that want or have to pay deposit insurance premiums.

• (10:10 p.m.)

As far as paragraph (2) of the same clause, just imagine, sir, the condescension necessary when it comes to keeping a close watch on the bankers' scheme. Just refer to the wording of the clause: this is not an invention of mine:

> Nothing in subsection (1) shall be construed to give the minister any jurisdiction ... with regard to amounts set aside, reserved or transferred to any reserve—

Thus there are reserved, sacred, hidden, direct or indirect accounts, whatever you call them.

How much did the banks hide in 1966? How much did they put aside in the last ten years? For what reasons do we allow banks to have hidden reserves? Did all large corporations have hidden reserves, for different amounts in 1967? There are many other companies, many other institutions which would surely be entitled also, Mr. Chairman, to indirect reserves, internal reserves or hidden reserves.

I note that clause 69 of the bill is similar to section 68 of the present act and there is no evidence that banks will be obliged to state their secret reserves in the future, any more than in the past. Why did the Minister of Finance state to this house, and I quote:

> Banks will have to give a detailed statement of their earnings and expenses, and, for the first time, of their hidden reserves.

In your own mother tongue, I quote No. 8 of your principal resolutions:

[*English*]

> The banks to reveal revenue and expenses in detail and for the first time their hidden reserves.

[*Translation*]

The minister should tell us under what clause of Bill No. C-222 the banks are forced to reveal their hidden reserves. Whom can we trust if we are deceived by the Minister of Finance on such an important matter as the presentation in the house of Bill No. C-222 on banks and banking?

In 1934, Mr. Chairman, when the Bank of Canada was created, in the same committee on banking and commerce, at pages 305 to 308 of the Minutes of Proceedings, there was talk of making such reserves. In a strange way, several questions by hon. members remained unanswered by the bankers. It is just like today, and it is the best proof that the stronger is not the government but the banker who hides everything he wants from the people, the government and his shareholders. I could give many other examples of hidden reserves by banks and big corporations. But what is the use, Mr. Chairman?

I will not say any more about that because I cannot do any more to force the minister to speak and tell the people the truth. I used all the means at my disposal. He speaks neither French nor English, but an incomprehensible language.

In another statement made to the House of Commons by the Minister of Finance, one could read in clause 5 on page 9:

> We propose to require from the banks that they reveal to the public for the first time their hidden reserves made up with taxable income.

The minister himself said that. And in his own language:

[*English*]

> We propose to require the banks to reveal to the public for the first time their hidden reserves created out of taxable income.

[*Translation*]

Mr. Chairman, is this the same Minister of Finance? Is he still prepared to make the same statement? Is he prepared to include in the bill the clause he had advocated requiring banks to disclose their hidden reserves?

I will now move my amendment, Mr. Chairman, for I do not want to extend the debate too long. It reads as follows:

(1) That the words in "reasonable requirements of the bank" in section 69 (1) be deleted and replaced by the words "½ of 1 per cent of its deposit liabilities".

(2) That subsection (2) be deleted and replaced by the following: "Any amount in excess of the authorized reserve shall be immediately declared as taxable profits of the bank by the Minister of National Revenue".

The Acting Chairman (Mr. Richard): Is the committee ready for the question?

Mr. Grégoire: Mr. Chairman, I would like to support to a certain extent the amendment moved by my colleague the hon. member for Compton-Frontenac (Mr. Latulippe).

It is obvious that in clause 69, what we used to call hidden reserves, are not hidden any longer today, but what I object to is that the banks are empowered to put up a reserve for losses and that such reserve, whether the bank incurs losses or not, is exempt from tax.

Mr. Chairman, if any business man, any store owner, any automobile dealer, any furniture salesman, any home builder, were putting up reserves against losses, they would have to pay taxes. But the bank gets more benefits than the businessman. The ordinary bank has an additional privilege, it is exempt from tax, not on its losses, but on what it declares to be a reserve for losses, whether or not it incurs any losses, and that is what I object to.

[*English*]

Mr. Sharp: Mr. Chairman, the committee will be aware that when we approved clause 60 of the present bill we did approve the following. I should like to draw attention to paragraph (2)(c) of clause 60. Subclause 2 reads as follows:

At every annual general meeting of the shareholders, the outgoing directors shall submit a statement (hereinafter called the "annual statement"), which shall present fairly the financial position of the bank for the financial year immediately preceding the meeting, and shall contain—

I will read paragraph (c):

• (10:20 p.m.)

—a statement of accumulated appropriations for losses of the bank for the financial year, showing the information in the form specified in schedule P—

I will not read the rest of that paragraph. Schedule P provides for the revelation for the first time, as I said before, and as referred to by the hon. member for Compton-Frontenac, of inner or so-called hidden reserves. This act does in fact carry out the undertaking that I made in the house that for the first time the inner reserves of banks will be publicly revealed. Clause 69 with which we are now dealing provides that I shall continue, as I have in the past, to have some control over the amounts of those reserves that are to be considered taxable or non-taxable. I submit it is better for public administration to have that judgment made by the Minister of Finance rather than by the Minister of National Revenue, who is concerned with taxation but not with banking questions.

In respect of the particular amendment moved by the hon. member for Compton-Frontenac let me assure him that the kind of inner reserves dealt with in clause 69 have nothing to do with the deposit liabilities of banks. These have to do with their investments and they are reserves against the possibility of losses. Therefore I submit, Mr. Chairman, that these amendments do not fulfil the purposes of clause 69 and should be rejected.

[*Translation*]

Mr. Grégoire: Why grant a special treatment to the banks and say to them: "Whether you lose money or not, it does not matter, because you are entitled to a reserve for losses; furthermore you have tax exemptions". And it is also indicated in schedule P to which the minister referred a moment ago:

Accumulated appropriations at beginning of year, general—Tax-paid—Total.

In no other field of trade or business would the Minister of National Revenue say: "Gentlemen, you are entitled to an appropriation for losses, for example, and it will be tax-free. It is obvious that if a loss is real, the interested party will find an arrangement and will have a delay of five years to substract that loss from its income tax report. The loss will be spread over a period of five years. But for the bank it comes to more than that. Even if it has not sustained a loss, it will pay no tax on its reserve for losses. This is irregular and I cannot accept it. I believe that if we remove this idea or notion that appropriations for losses should be tax-free—and this is where I am slightly at variance with my friend, the member for Compton-Frontenac

(Mr. Latulippe)—I would ask him to forget the ½ per cent and say that, since the reserves are now open and known, the bank may appropriate whatever it wishes for losses, it does not matter, provided it pays income tax. It would then be a reserve such as those of any business concern. The purpose of section 69 is to prevent banks from having reserves that are too high since they are tax free. But even if the reserve is not too high, the bank should not enjoy any unfair privilege. As soon as the bank looses money, it should be allowed to deduct it from its income tax like all the other business concerns, over a five year period, but it should not be tax exempt for losses not incurred. A bank should not be told: Build up a tax reserve which is tax-free. It is on that point that I support the amendment of my colleague, the hon. member for Mégantic (Mr. Langlois). I wonder if the Minister of Finance does not find our request reasonable. After all, banks are not to so much to be pitied. The saying "as sound as the bank" is very significant. That means it is a well-established institution. I wonder why it should need preferential treatment or such a favour which is not given to any other business. There are businessmen here, doctors who may lose accounts, lawyers who may be unable to collect certain fees; dentists who may be unable to collect certain bills. They are not taxed, it is true, but the lawyer, for instance, is not told: Take $5,000 and put it aside as a reserve against losses. Whether he loses it or not does not matter. According to the legislation as it stands, it is just a reserve on which the bank is not taxed.

The hon. member for Compton-Frontenac mentions one half of one per cent. I think that in committee, the question was put. I think it was said that bank losses, if I am not mistaken, my memory may fail me, but I think the losses were under one tenth of one per cent. I would not swear to it, I do not have the report of this committee with me, but possibly the hon. member for Nanaimo-Cowichan-The Islands (Mr. Cameron), who attended the committee as I did, could tell me whether it was approximately this amount that was mentioned. If my memory serves me well, the losses were of one tenth of 1 percent. Then, if no tax is levied on this, quite right. However, if we charge one half of one per cent—for a bank, this is a great deal. On a business turnover of 18 billion per annum, 1 per cent represents $1,800 million, and half of one per cent is $900 million. If they are allowed reserves in connection with which we declare: "On this, you will have no taxes to pay", well, perhaps—If we were doing this for all concerns, if everybody were on an equal footing, personally, I am for this, but when there is favour for some one and disfavour for the others, I am against that.

This is why I am asking whether the minister would agree to delete this discriminatory clause. I think that the request is perfectly logical and reasonable; the banks are not to be pitied, they are not in the red, they need no other favours from the government, since I figure that they have enough; then the tax is always removed. And on this I could reach an agreement with my friends of the New Democratic Party, who say at all times taxes should not be paid by the little fellow but by the big fellow; well, are not the big fellows in Canada the chartered banks? If so, let us not grant them special favours concerning income tax; under section 60(2) and Schedule (p) they get some valuable favours: they are told: "Gentlemen, do put aside a reserve for losses, and on this, whether you lose it or not, you will not be charged income tax." Then I wonder whether the Minister of Finance (Mr. Sharp) would have a few remarks to make on these points, whether he would not be prepared to accept what we are asking from him.

[*English*]

Mr. Sharp: Mr. Chairman, there seems to be some misunderstanding about the basis of our taxation system. There is nothing special about this clause. All businesses have the right to have reserves against bad debts. That is all this is. The reason that discretion is given to the minister is to see that the amounts set aside are not excessive, and that is the spirit in which it is administered. The inspector general of banks advises me every year of the amounts set aside, and he advises me whether in his opinion they are excessive. In my opinion there is greater control over taxation of banks than there is over taxation of other institutions.

[*Translation*]

Mr. Grégoire: Mr. Chairman, may I ask the minister a question?

Schedule (p), point no. (1) where it is said:

Accumulated appropriations at beginning of year tax-paid.

Does the same apply to any kind of trade? This tax paid accumulations, this tax free reserve for losses that exists for all kinds of trade, must an ordinary merchant not declare

it, and when he declares it, has he not already lost it in fact? At that moment, does he not pay the tax on that reserve? And is it not then what distinguishes the other trades from the banks? From this particular point of view?

• (10:30 p.m.)

[*English*]

Mr. Sharp: No, the treatment is identical for the banks and for other corporations that pay taxes.

The Acting Chairman (Mr. Richard): Is the committee ready for the question?

[*Translation*]

Mr. Latulippe: Mr. Chairman, I have a question for the minister. Could he tell us whether there are other institutions that have the same privileges as the chartered banks nowadays.

Mr. Chrétien: All the corporations.

[*English*]

The Acting Chairman (Mr. Richard): All those in favour of the amendment will please rise.

[*Translation*]

Mr. Grégoire: Mr. Chairman, what then is the idea behind this clause, since the bank is compelled by the terms of clause 69 to reveal its reserves? I am told it pays taxes on them, like all other corporations. If there are no actual losses, what is the idea behind clause 69? Does the minister not admit in schedule P that all those reserves are exempt from tax, whether losses have been incurred or not? If this is not the case, I should like the minister to give me an answer concerning this subject.

Are not reserves for losses exempt from tax in the case of banks, whether losses have been incurred or not, whereas in the case of other companies reserves for losses are taxable, or are those reserves taxable only if there has been no loss? That is what I should like to minister to explain.

[*English*]

Mr. Sharp: I must repeat what I said before, that the taxation of banks and other corporations in this respect is exactly the same, except, in so far as banks are concerned, not only does the bank have to satisfy the tax collector but it has to satisfy the inspector general of banks and me. There is therefore greater control over the reserves set aside for banks than there is for other corporations. Clause 69 is simply a reinforcement of the tax laws so that banks are treated no more favourably than other corporations. All corporations pay taxes on exactly the same basis.

Amendment (Mr. Latulippe) negatived: Yeas, 7; nays, 60.

The Acting Chairman (Mr. Richard): I declare the amendment lost. Shall clause 69 carry?

Clause agreed to.

The Acting Chairman (Mr. Richard): Clause 75?

Mr. Sharp: Would the committee be agreeable to going back to clause 29, one of those which was allowed to stand?

Some hon. Members: Agreed.

On clause 29—*Report to directors.*

Mr. Sharp: I should like to have an amendment moved to carry out a suggestion made by the hon. member for Edmonton West to whom I am grateful for drawing this unnecessary subclause to our attention. I ask one of my colleagues to move the following amendment:

That Bill No. C-222, an act respecting banks and banking, be amended by striking out paragraph (b) of subclause (2) of clause 29 on page 18 of the bill and by relettering paragraphs (c) to (e) thereof as paragraphs (b) to (d), respectively.

Mr. Winters: I so move.

Amendment agreed to.

Clause as amended agreed to.

Mr. Sharp: May I suggest that we move on to clause 52 and take clauses 52 to 57.

Mr. Langlois (Mégantic): Mr. Chairman, I do not have anything to say on clause 29 but I would remind the Chair that before the last amendment reached this end of the house the clause had been carried and I had not time to see it. Therefore I would ask the Chair to make sure before carrying a clause that there is nothing to be said on any amendment.

On clause 52—*Definitions.*

Mr. Cameron (Nanaimo-Cowichan-The Islands): Mr. Chairman, last Friday I asked that clause 52 be allowed to stand, because I had an idea that I wanted to move an amendment. I now see I do not need to do this and I do not wish to hold up the clause any further.

Clause agreed to.

On clause 53—*Limit on shares held by non-residents.*

Mr. Cameron (Nanaimo-Cowichan-The Islands): Mr. Chairman, I have two amend-

ments to this clause. The first is as follows. I move:

That paragraph (a) of subclause (3) of clause 53 be amended by striking out the following words in line 38 on page 31 "in right of Canada or", and also by striking out the word "either" where it appears in line 40.

I am quite sure that the minister realizes the significance of this amendment, because it deals with the question I raised with him during the committee hearings, and again the other day when I was speaking in the committee of the whole. I am proposing this amendment, not to alter any powers that the government of Canada has at this moment but to prevent the minister from divesting the government of Canada of the power of making an investment in a commercial bank.

I feel it is important at this particular juncture that the government of Canada should retain that power in its hands. I set out the reasons for this the other day when I was speaking in the house. At this time I would merely like to underline again the possibility of having to use this power in connection with a circumstance which still could possibly cause some trouble with our American neighbours.

I am not at all sure, as I said in the committee, that we have solved the problem of the Mercantile Bank by the only course left open to us at the time, in passing an amendment which I seconded to give the bank five years to expand their shares and make them attractive to Canadian investors. I have the uneasy suspicion that at the end of five years we will find the bank not anxious to divest itself of its shares, and may present the government of Canada with the very difficult task of asking the bank to shrink its shares back to this twenty to one ratio, or to get rid of 75 per cent of its shares.

• (10:40 p.m.)

I have an idea that if at this time the Minister of Finance for Canada were to recognize this and say that he accepts this amendment, that action of his might be noted in New York and Washington, and the conclusion might be drawn that the Canadian Minister of Finance was retaining in his hip pocket a club which he might see fit to use if necessary in five years. For that reason I urge the committee to support my amendment, to leave in the hands of the government of Canada the right to invest in a bank.

The other day my hon. friend from Edmonton West, as I noted from reading *Hansard,* though I did not hear him, meant to say, I think, that I have an obsession. He told me the other day—even today—that I have a coy way of using words. I do not wish to say this to my friend, but he has an incorrect way of using them. He used the word "fetish" quite incorrectly. I suspect that he meant to say I had an obsession with the nationalization of the banks of Canada, and using "fetish" was quite incorrect. It was incorrect even in its original Ashanti form in West Africa, to say nothing of its modern psychological connotation.

An hon. Member: Smart.

Mr. Cameron (Nanaimo-Cowichan-The Islands): One has to be smart with me, my hon. friend. I have no obsession with the nationalization of the banks; but I do have an obsession, and it is not shared with my hon. friend from Edmonton West. My obsession is that every institution in our society must serve the welfare of the Canadian people. I have another obsession, that no one has the right to be allowed to exploit his fellow citizens, that no one has the God given right to make money out of any operation of our society, or to assume that this is a privilege we grant to certain people under certain terms, a privilege that can be amended or withdrawn at any time. No institution serves the welfare of the Canadian people if it is for the aggrandizement of only a few of our citizens.

Mr. Sharp: Mr. Chairman, may I say a brief word about this proposed amendment. The hon. member for Nanaimo-Cowichan-The Islands is relating it to the experience of the Mercantile Bank. Mr. Chairman, if the Mercantile Bank is unable to dispose of its shares to Canadians it would be better that it remain as a very small operation, as it is today. Certainly, if that is the position of the Mercantile Bank, then I have no quarrel.

On the other hand if the government is to make an investment in a bank, a chartered bank, or a bank operating under one of our charters, in my opinion it should not have other private shareholders. Therefore if we are to embark on that course of action—and this is an arguable case; I think there is a good deal to be said for having a government-owned bank—let us do so not by inadvertence or indirection, but let us do it as the result of a positive decision by this parliament to form a bank for that purpose.

I am therefore opposed to the amendment proposed by my hon. friend. It seems to me that if we are to change our policy and have a government bank in competition with pri-

vate banks, let us do it, not now, but let us charter a bank for that purpose.

Mr. Cameron (Nanaimo-Cowichan-The Islands): I could not agree more with the minister. I am not proposing that we change our present position; he is proposing the change. That change is to prohibit the government of Canada from ever following this course of investing in a bank. Certainly, if this bill passes as it is worded now, Her Majesty in the right of Canada would be prohibited from investing in a chartered bank.

Mr. Sharp: That is right.

Mr. Cameron (Nanaimo-Cowichan-The Islands): Then it is the minister who is changing the position which presently prevails, because the power now lies in his hands or in the hands of the government of Canada, and will continue to do so until this bill is passed.

Mr. Sharp: What this clause does is to prevent Her Majesty in the right of Canada from acquiring any shares in a chartered bank included in the schedule to this bill. If parliament were to decide that it would form a government bank to operate like a chartered bank, it could certainly do so and would not be bound by this act.

Mr. Lewis: This does not explain why the minister and the government found it necessary to include this prohibition. The fact is that under the present Bank Act there is no such inhibition which would prevent the government entering into a partnership, if you like, with a chartered bank or buying any shares in a chartered bank which in the public interest it believed would be desirable.

What my hon. friend is saying to the minister is that his amendment is not the one which proposes a change in the present law; it is this new clause which proposes a change, and I have heard no explanation why this change should be made. The minister has not told us why it should be necessary for this parliament to tie its hands for the next ten years. It may be that the government of the day will not wish to use the powers it presently has to buy shares in a chartered bank. But why should we now decide that in no circumstances in the next ten years will the government of Canada be able to do so, no matter what the circumstances may be?

The minister should explain to the committee why he found it necessary to include this provision in the bill. What are the circumstances in 1967 which differ from those of 1965 or 1957 when this prohibition was not contained in our banking laws? What has happened to make this provision necessary? The minister should tell us what moved him to propose this fundamental change in the banking law. If his explanation is that because he wished to prevent the provinces from doing so he is making things even, then I suggest this is the type of equality which does not appeal to any logical mind.

Mr. Sharp: The change was made because we wanted to prohibit any government, whether provincial or federal or foreign, from owning shares in a chartered bank. We do not think it is appropriate to the kind of banking system we have that governments should be shareholders in banks. As far as I know, the government of Canada has no shares in a chartered bank and never has had any. Perhaps by inadvertence it may have got into some pension fund, or something like that but, as I have said, I do not know of it.

• (10:50 p.m.)

I would come back to my original point that if the parliament of Canada wants the government of Canada to invest in the shares of a bank it should authorize them specifically for some purpose and not have the government in the position of becoming an investor in an existing chartered bank. I believe this is thoroughly consistent with the whole philosophy of the act.

Mr. Barnett: The thing that puzzles me, Mr. Chairman, is why the minister does not admit that this is a case of the government biting off its nose to spite its face. The last time the Bank Act came up for decennial review this question did not arise. No change was made at that time in the concept of ownership of bank shares, or laws in that respect, and I presume those laws were the same since banking legislation first came into being in this country.

Why does the minister not admit that it was because the government of B.C. expressed an interest in acquiring the shares of a bank that this whole question came to the fore? Why does he not admit that the government of Canada never thought of this question until the government of the province from which I come expressed some interest in the idea of developing a regional bank in which the government of that province would have some say, so far as its management and policy were concerned?

I do not suggest that we should enter into a debate on that question at this time, nor does the amendment moved by my colleague from Nanaimo-Cowichan-The Islands suggest that we do so; but certainly so far the minister has

failed to impress me with the logic of there being any parallel between the views the government has with regard to provincial governments or foreign governments holding bank shares, and leaving within the power of the federal government the right to hold shares in the name of the body which I have always understood to be the authority over monetary and fiscal policy in Canada. I think the amendment carefully emphasizes that particular distinction in the concept of money and banking business.

Mr. Peters: I too am puzzled by this problem. I listened with interest to the discussions which took place concerning the Mercantile Bank and the desire of the Canadian government to obtain Canadian control over that institution. I agree with the method by which such control may be obtained, as outlined in a previous clause, whereby expansion of that bank will be allowed in order to make the sale of its stock to Canadians more advantageous, but I think the minister should face the very simple proposition that if that bank's shares are not bought by Canadians, then it may be necessary for the federal government to buy control from the foreign owners in order that control may rest in Canadian hands. The government might have to set up a crown agency to buy that stock if Canadians as individuals do not buy it.

I cannot see how the minister believes he should allow such expansion of the bank to take place in order that the stock can be sold to Canadians and, at the same time, expect that the institution will remain a very small bank. For this reason the government should reserve the right to buy the stock through a crown corporation operating in the right of Her Majesty. Personally I feel this provision should be left in the bill, also covering the right of a province.

I would think, if there really is a desire to implement the idea of establishing a method to obtain Canadian control over foreign owned financial institutions, that a start should be made at least in respect of the one bank in question. If you leave in the one exception where no shares are to be held by a government, then obviously you are taking away the machinery which would make possible what has been suggested. When one considers the proposition of exempting Her Majesty from having any control, he can better understand the government's inability to obtain Canadian control over other financial institutions, including near banks and insurance companies.

[Mr. Barnett.]

Evidently the minister is sincere in his wish that the Mercantile Bank eventually will flow into Canadian control. I believe, if this particular clause in its present form, or with the limitation against provincial government ownership, is to be retained, that a clause should be included which at least would allow the minister to establish a corporation which eventually would be able to buy the stock, which may not always be easily disposed of. It may not be easy to persuade Canadians to buy this stock, particularly with the pressure which would be applied in a situation where it was desired to unload that stock on Canadians.

I believe the minister should give a better explanation of the reason he is not willing at least to leave with the federal government the right to establish a crown corporation. If the government itself does not wish to buy the stock it should allow an agency to assume the financial control which, in my opinion, the Bank Act is designed to do. If the minister is unwilling to provide the machinery to make it possible, then I think we should have passed the previous legislation without amendment, because this certainly will not accomplish the desire of most Canadians eventually to obtain control of one foreign owned bank through purchase of the stock by Canadians, or through government purchase of the outstanding stock.

Mr. Cameron (Nanaimo-Cowichan-The Islands): Mr. Chairman, I do not wish to hold up the committee, but I must say I am shocked at the way in which the Minister of Finance of Canada places the government of this country on all fours with foreign and provincial governments. I think this is another example of truckling to the provincial governments. This is something which this government has been doing continually with disastrous results. The minister has given no logical or acceptable reason for wanting to divest himself or the people of this country of this power. He has no right to take from the Canadian people the power to decide whether they wish to have a hand in the banking system of this country. His suggestion that a crown corporation would not be the same as a chartered bank is another example of his sophistry. There is no difference between a crown corporation of this nature and any other crown corporation. If this bank were set up in Canada as a public bank it would operate, I would hope, under the framework of the Bank Act. So the argument that this applies only to banks which are now in existence is completely specious and phony, because if we

organize any other new bank it comes under this act.

• (11:00 p.m.)

I suggest to the minister that this is another disastrous example of fear on the part of this government to exert its authority in a field in which there is no doubt about its constitutional right. This is another example of truckling to provincial governments to encourage intransigencies on their part, because they realize this government in Ottawa is too afraid of them to exercise its rightful authority.

Mr. Sharp: Mr. Chairman, I want to repeat, so the record is quite clear, that there is nothing to prevent this parliament from establishing a government owned bank. There is no limitation in this act to prevent that. I think it would be most inappropriate to amend the law in this way, if for only one reason, namely that we could hold only 10 per cent of the shares of any bank under the law as it now is proposed.

Mr. Horner (Acadia): Mr. Chairman, I should like to ask the minister whether this clause prohibits the government, as suggested by the hon. member for Timiskaming, from buying the block of 75 per cent of the shares of the Mercantile Bank, which must be sold in the next five years? If it does, why does the minister continue to insist on preventing this from happening in view of the limitation placed on this bank? This bank cannot expand unless it sells to Canadians. Does the government really want Canadians to participate in Canadian banking?

This bank was given a charter and we should honour that charter. This particular clause prohibits the government from assisting Canadians in acquiring ownership of that bank, which we as Canadians are forcing to release 75 per cent of its interest.

Mr. Sharp: All this clause does is prevent the government of Canada from owning 10 per cent of the shares of any bank. I see no useful purpose to be served by the government of Canada having a 10 per cent ownership in any bank. Moreover, if the Mercantile Bank is not able to sell its shares to Canadians I think it should operate as a very small institution. I do not think the public interest would be damaged if that happened.

Mr. Horner (Acadia): Mr. Chairman, I am not too worried about the public interest. We as Canadians made an agreement in 1953 to grant a charter to a foreign concern. Let us be honest and live up to that agreement which was granted, rightly or wrongly, to this concern. Perhaps if we were asked to do this again we would not do it. We did do it with our eyes open, without any stipulations at all. Then we allowed that foreign concern to sell its shares to another foreign concern. Canada is respected throughout the world as a country which lives up to its agreements. Certainly we would not want to be considered as having a preference for a Dutch concern over an American concern. We are very dependant upon United States capital and its commerce, and we would not want to create an impression that we preferred Dutch firms to American firms. All foreign concerns should be treated equally. We allowed the transfer or sale of stock in one foreign concern to another. Surely we cannot now come along and enact retroactive legislation having the effect of devaluing those shares. That is exactly what we are doing.

By passing this clause we are taking away the one safeguard that still lies in the hands of the Canadian government. We must live up to our commitment. Whatever the foreign concerns are, we should not show preference to one over another. So if the charter was good for the Dutch in 1953 it is good for the Americans today, and we are not going to allow those shares to devaluate. We will not deliberately, through a misunderstanding at the transfer of those shares, force their value down. Surely we will live up to a prior commitment, regardless of whether it was right or wrong.

The only safeguard we have is contained in the particular clause with which we are dealing now. Let us suppose for example that the First National City Bank of New York had the opportunity to divest itself of only 25 per cent of its interests in the next five years and still owned 75 per cent, so that its interests would be larger than permitted under the act. As the minister said, it would have to divest itself of the rest of its interests and withdraw completely from the banking business. Surely we do not want to force foreign capital out of Canada even if the former minister of finance was still in the driver's seat. We may not welcome foreign capital but we do not want to force it to flow back to the United States.

This is exactly what would happen if the bank were not able to sell 75 per cent of its stock in the next five years. Surely we should keep this one safeguard to allow the government to set up a trust which would buy 50 per cent of the remaining amount that was not sold. I am using a fictitious figure. The bank may only have been able to sell 25 per

cent, which would leave 50 per cent to be sold. Surely we can expect the Canadian government to honour its commitment and to safeguard the value at which those shares traded in 1966. It should be able to buy them, to put them in trust and then to sell them.

Both the former minister of finance and the present minister have spoken a great deal about the establishment of the Canada Development Corporation. This would be an ideal body for such a transaction. Surely the minister should not destroy the one remaining safeguard in the bill.

Mr. Sharp: Mr. Chairman, of course I cannot predict what form the Canada Development Corporation will take but if it is of the kind that had been proposed by my colleague, the former minister of finance, it would not be debarred under this bill from buying the shares, since it would not be an agency of Her Majesty.

The Chairman: Is the committee ready for the question?

[*Translation*]

Mr. Grégoire: Mr. Chairman, I would like to say a few words on the amendment moved by the member of Nanaimo-Cowichan-The Islands (Mr. Cameron) because I approve of it and also because according to the amendment a bank could not allow the transfer of capital stock to the federal government. But the member does not say anything about the problem which then crops up with regard to provincial governments. The member seems to object to the fact that the federal government is denied the right to own bank capital stock but he also seems to accept the fact that the provinces are denied the same right or power. Personally, I believe that neither the federal nor the provincial government should have the right to own bank shares, and that their right should not be limited to 10 per cent but that the provinces should be able to set up a bank if they so wished. I see no objection to that. On the contrary. It is generally recognized that banks have tremendous privileges to facilitate economic growth; but the public that is the province, is not allowed to have a chartered bank and all the powers which chartered banks are granted, including that of creating credit.

The provinces are to be denied that power. The Bank of Canada is denied the power to create credit, and the provinces are also denied it. If the federal government does not want to do it, why does it not allow the provinces to do so, at least to a certain extent, through ownership in a provincial bank or a chartered bank? Clause 53(3)(a) forbids any province and the federal government to purchase shares of the capital stock of a bank.

• (11:10 p.m.)

Then, I think I cannot agree with the minister on this subsection (3)(e). I agree with the hon. member for Nanaimo-Cowichan-The Islands who said that the federal government should not, through this subsection, be prohibited to hold shares, or a share of the share capital of a bank. I think that neither should the provinces be prevented from doing so.

That is why I would like to move a subamendment. I have not yet written it but I would like—it will not take long to write it —to move a subamendment which would strike out from subsection (3) paragraph (a) not only the words "to Her Majesty in the right of Canada", but also the words "in the right of a province". The subamendment would then mean that the whole paragraph (a) of subsection (3) is struck out. I therefore move that paragraph (a) of subsection (3) be struck out.

Then I believe, that it could be used as a subamendment, since the amendment only strikes out the words "Her Majesty in the right of Canada" and I would also strike out "or in the right of a province", and finally when both are stricken out, paragraph (a) of section 3 has more or less been been removed.

Then, I believe that my hon. friend from Nanaimo-Cowichan-The Islands will have no objection, if the federal government is allowed to hold shares in a chartered bank, to let the provinces also have some.

An hon. Member: There is a difference.

Mr. Grégoire: One can perhaps claim that there is a difference, but we will wait and see what will be the argument brought up by the hon. member to the effect that there is a difference.

There is obviously a difference in this that the federal government and the provincial government are not one and the same government. But I do not see that other point where there is no difference, and I do not see why there should be objections to allow the provinces to own shares in a bank and even to own a chartered bank. Furthermore, Mr. Chairman, one argument in support of this would be the following: The federal government, and the provincial governments, have huge amounts deposited in chartered banks, on which they draw no interest. It has also been mentioned in the committee on finance, trade and economic affairs. I believe the amount is almost $200 million if I remember correctly. That money belongs to the

federal government and is deposited in the chartered banks, but the federal government does not receive any interest.

Now, there are too many privileges granted. If the federal government is entitled to own shares, to own a chartered bank, well then it could allow itself to deposit such amounts in its own bank, and thus not lose substantial amounts in interest, as when this money is deposited in banks that are privately-owned institutions.

I therefore wish to introduce an amendment to the main amendment which excludes from the formal prohibition specified in subclause 3, to own shares in a bank, the federal government and the provincial governments.

Mr. Caouette: Mr. Chairman, I do not think it is in the interest of the federal government to own one or several shares in any commercial bank.

In fact, the federal government owns or rather the parliament owns the Bank of Canada. That is why we do not have to buy shares from commercial banks. Moreover, it is not for the government to do business or to be interested in doing business.

Now there is a difference between this attitude and preventing a province from owning its bank or from buying shares from a commercial bank. The provinces have no power on the Bank of Canada, whereas the government or the federal parliament have complete control over it. As for us, we suggest that the Bank of Canada own a branch in every Canadian province to process of to finance provincial, municipal and education projects in these provinces.

So I do not believe that the federal government would be justified in buying commercial bank shares but it should, for instance make full use of the services of the Bank of Canada owned by the Canadian people. That is something the federal government and the federal parliament have the means and the power to do. Let us use our powers without buying shares which would not in the least give us ownership of a bank, but let us allow the provinces the opportunity, the possibility, the power and the permission to purchase bank shares or to establish provincial banks to serve their own ends and their people.

Mr. Grégoire: Mr. Chairman, I should like to add just one word and state that I second the member for Villeneuve when he says: "I do not see how the federal government could need to invade the area of the chartered banks since they already have the Bank of Canada. All they need to do is to give the Bank of Canada the privileges the chartered banks have. It would be much better than to buy shares of another bank. They would have their own.

All he has to do is leave to the Bank of Canada the same privileges as those which are vested in chartered banks: he would not have to buy stock in another bank, for he will have his own.

On the other hand, I would not object to withdrawing from the bill this interdiction to secure stock affecting the federal government especially for exceptional cases which may occur, such as in the Mercantile Bank, where American interests will have to remit within five years 75 per cent of their shares. If they do not succeed in selling them in the meantime, it might prove useful for the federal government to act directly.

That is why I did not see any objection to withdrawing the whole paragraph a of subsection 3 from clause 53 and for that reason I did not leave in this subsection 3 the limitations prescribed to the federal government.

[*English*]

Mr. Horner (Acadia): Mr. Chairman, a few more words with respect to this clause. If what the minister says is correct the Canada Development Corporation may be involved. Would the minister assure us that the Canada Development Corporation will get off the ground in the next five years? I was interested in his remarks, because he suggested that this was the idea of the former minister of finance and he did not take full credit for it.

There is some doubt about this in my mind and I would like to know whether the Canada Development Corporation is going to be founded. Does the minister hold it up as the possible saviour of Canada's good name and reputation in respect to the exchange of the charter of the Mercantile Bank between the Dutch and American interests? Does the minister regard this as a possible saviour for the good name of this government in world banking and trading relationships?

Another question I would put in all seriousness is this. Over a number of years we have had treasury branches operating in the province of Alberta. While I have never been a depositor in these banks I have used them from time to time and I say without hesitation they have played a part in the banking world of Alberta. Many sound, financially interested people in that province would like these treasury branches to obtain a charter to do business elsewhere. Though the branches

are solely owned by the province, would the minister allow them to obtain a charter because of their long standing reputation in Alberta?

• (11:20 p.m.)

I would have thought that members of the Social Credit party, who are long on banking and finance, would be interested in this clause. From time to time we hear them making utterances in that province, suggesting that these banks be chartered in Canada to be allowed, using the party's words "to multiply or make money", so that these institutions may serve the people of Alberta. I should like to hear the minister on these three questions, before passing this clause.

Mr. Sharp: I only made notes of two questions, the first being about the Canada Development Corporation. This is part of the government's policy, to which I am firmly committed and in which I believe strongly. The Canada Development Corporation would be a very useful addition to the financial institutions serving this country.

I qualified the answer I gave earlier, because I said that if the Canada Development Corporation was organized along the lines which had been suggested by my predecessor in office, the present senior Minister without Portfolio, then it would be empowered to buy the shares of the Mercantile Bank; if, however, it were organized as an agency of Her Majesty, which was not the idea of my colleague, then it would not be able to buy those shares. That is why I made the qualification. I can assure the hon. member that that remains an important part of this government's agenda.

Speaking of the treasury branches of the government of Alberta, if an application were to come from—I do not know from whom it would be—the government of Alberta for a bank, I do not know what this parliament would do with such application. I would think it would be rejected, on the grounds that we do not want any province running a chartered bank. Indeed that is what the legislation we are considering says. Parliament, of course, can override the Bank Act, if it wishes to, to enact a special statute enabling the treasury branch to be organized as a chartered bank. It would be perfectly possible for a group of entrepreneurs, private citizens, to take over that enterprise, apply for a charter, and operate it as a chartered bank. That would be perfectly possible and would probably commend itself to parliament.

[Mr. Horner (Acadia).]

Those are two points. I regret that I have forgotten the third raised by my hon. friend.

Mr. Horner (Acadia): The minister asked me a question, Mr. Chairman. May I answer?

The Chairman: Before the committee goes any farther I wish to say a word about the subamendment moved by the hon. member for Lapointe. The amendment moved by him purporting to amend the amendment moved by the hon. member for Nanaimo-Cowichan-The Islands I think should not be accepted at this time because the subamendment does not amend the amendment. The subamendment would have to amend by leaving out certain words, by inserting other words or by adding other words. I would point out, too, that the subamendment as proposed by the hon. member for Lapointe, while slightly defective in form, might well be accepted as an amendment to subclause 3 if these corrections were made.

At this time I cannot accept as a subamendment the proposition moved by the hon. member for Lapointe.

Mr. Horner (Acadia): Can the minister give an assurance on the other point I raised? Can he assure us that the Canada Development Corporation will, in fact, get off the ground? Will we be able to place our hope in it? Will it really carry out our aspirations? After all, the setting up of the corporation was proposed some three and a half years ago. Does the government intend to bring in the necessary legislation this session, or in the next session? I suppose that as long as the session continues the government will continue to place material on the order paper; we see it lengthening every day.

Before we pass this clause, perhaps the minister will tell us whether he is still committed to this idea. Will it be before parliament during the coming session as, one might say, a fitting centennial project, if the hon. gentleman firmly believes in it? Or shall we have to wait and hear about it at the next election?

Mr. Sharp: The answer to that is, yes; it is the intention to bring this forward in the next session.

Mr. Peters: I was surprised by two things the minister said. He told us he was opposed to provinces purchasing shares in chartered banks, though he agreed that individuals involved could set themselves up in such a way as to do so. I was more concerned about his

comments on the Canada Development Corporation. He felt that because this was not directly an agency of the government, as crown corporations are, one of the roles it could play would be to purchase the outstanding stock of Mercantile Bank. I suggest this is one heck of a way of neutralizing the corporation and making a real eunuch of an organization which it was hoped would become a vitally important institution for the economic development of this country.

I agree with the hon. member for Acadia that this is an important clause affecting the responsibility of Canada. We have reached a simple decision to get control of our financial institutions, and two banks have been affected, one under foreign ownership. We have decided they will be given a special dispensation to expand so that they can sell on a reasonable basis.

Mr. Chairman, in my opinion it will only be possible for them to sell either to the government directly or to a crown corporation. I suggest that what we appear to be saying to the Americans is not what is actually being said. This clause would make it impossible for the Canadian government to expropriate at the proper time the shares in the Mercantile Bank which are outstanding, in terms of the Bank Act, and as a result they will be sold at bargain basement prices to the other chartered banks, if those banks are interested in them.

• (11:30 p.m.)

I believe this is not in keeping with the standard Canada has had in expropriation in other fields. I believe there is little difference between the expropriation that may be necessary to get control of the stock of Mercantile Bank and expropriation to get control of other property which the government thinks it is desirable to have in the right of Canada.

Therefore I think the minister is limiting not only this government—and this government will not be in office too long—but is also limiting future governments which may desire to honour the intent of the Canadian people to get control over their own institutions while at the same time paying a reasonable price and, if necessary, getting control by government expropriation. The minister is tying the hands of all governments for at least 10 years ahead.

Mr. More: I am left confused by the minister's answer to the hon. member for Acadia. He spoke about the Canada Development Corporation being able to buy the stock of a bank. Is it not true it can buy only up to 10 per cent?

Mr. Sharp: That is right.

Mr. Horner (Acadia): What is the effect of this clause on the newly chartered Bank of Western Canada? I am under the impression that one concern owned something like 53 per cent of its stock, and recently that figure was reported as being 51.5 per cent. Has that concern to sell a certain percentage of its ownership?

Mr. Sharp: So far as I know this clause has no effect upon the Bank of Western Canada. Clause 75(2)(g) has; except of course in due course the Bank of Western Canada will have to comply with the requirement that no shareholders shall have more than 10 per cent of the stock and, of course, so far as any shareholders do have more than 25 per cent it is subject to the restrictions in clause 75(2)(g).

Mr. Horner (Acadia): Would the minister explain what he means by "in due course"? Before the recent transfer of Bank of Western Canada stock to a concern in Montreal I had the impression that three individuals in Toronto owned 53 per cent of the stock. Does this clause mean they will have to reduce their individual ownership to 10 per cent per person, and 10 per cent per company? Is there some time limit for all banks, and is there some special time limit for that bank?

Mr. Sharp: "In due course", in the case of the Bank of Western Canada, means in 10 years. With respect to the other question, no transfer of stock in the Bank of Western Canada was involved in the transactions the other day. As I understand it, those were transactions in the stock of the British International Finance Corporation.

Mr. Horner (Acadia): Why is the Bank of Western Canada being given ten years to dispose of stock? In the standing committee I asked the inspector general of banks whether, if a group of people raised $13.5 million, they would get a bank charter, and would he feel it his duty to examine the management of such a group. In this case the group is the B.I.F. corporation. That official answered that this group were examined and that their banking ability, management, and experience were considered to be of a high degree.

Since all this has taken place we have seen what in effect is the direct opposite. The former governor of the Bank of Canada has practically dissociated himself from the B.I.F. group. We have seen the Toronto Stock Exchange place the B.I.F. group in trust for a period of two weeks. We have seen huge trading in B.I.F stock. All this is based on an examination of the capability of their man-

agement by the inspector general's branch. If I am mistaken, I should like the minister to correct me. A special order in council was passed by the minister which in a sense makes a special provision to deal with this concern to grant it 10 years to divest itself of a huge percentage of its interest in this bank. Surely the minister should have something to say concerning the reason this special provision was given to these people, who since have proven to the investment world that they were not capable of raising the money, and were not capable of managing their financial interests. They appeared before the committee on finance, trade and economic affairs and suggested they would have to go to the United States in order to obtain the capital.

I wonder why the minister would suggest that the government should pass such an order in council in respect of this shaky concern, this poorly managed concern which reached out for more than it actually could control. This concern not more than a year ago guaranteed to the committee that it could put up $6.5 million. Yet, when they actually had to put up the money they were $1,400,000 short. Last July or August the government of this country, without even ascertaining whether or not the $1.4 million was there, took upon itself to provide an order in council to get around this particular clause in the bill, which would grant this concern 10 years to divest itself of its interest. The story that was spread across Canada was that this management was so sound that we should not force it to divest its interest within three years, because it had to get the bank off the ground.

I say that this bank is not off the ground yet. Mr. Coyne, the former governor of the Bank of Canada, made quite clear last fall that there was some hanky panky going on in respect of the B.I.F. group. I should like to know why last July the minister felt it was necessary to give this poor group of financial experts 10 years within which to divest themselves of their interest. They should have been forced to do it within three years. In fact I am sure that all Canadians across the country, if they knew the complete story, would realize that this group should not have been given the charter in the first place. I am certain that if Mr. James Coyne had this to do all over again he would never have been sucked in. I use that expression, because I know everybody knows what it means. He was sucked in; his name was used to sell shares all across western Canada. Now he would like to get out. He displayed very, very shrewd business judgment by investing only $7,500 in it.

I should like to hear from the minister a further explanation concerning why a special order in council was granted to allow this company 10 years within which to divest itself of its interest when it could not even put up the full amount of money which the committee on finance, trade and economic affairs was assured would be put up and would be readily available.

• (11:40 p.m.)

I should like the minister to explain why the 10 year period was granted to this shaky group, which has proven itself to be made up of poor financial managers. Surely the committee is entitled to some kind of reply by the Minister of Finance as to why he took it upon himself to ask the Treasury Board and the governor in council to grant this group of poor managers a 10 year period in which to divest itself of this interest.

We are setting a precedent. It is all very well for hon. members on that side of the house to laugh and clap their hands, because they are trained seals; but we should remember that we will be granting charters for years to come. Will every group or individual who makes a request to this government be permitted 10 years to divest themselves of their interest, or will they have to qualify in some way for that longer period? I am sure many of these groups could qualify under the same provisions as B.I.F. qualified. I am sure anyone who can raise $13.2 million could qualify.

Will the minister indicate whether all charters to be granted from this time on will carry the 10 year term during which the interest may be divested, or is there some special regulation, clause or rule which applies to this period as opposed to the five year period? I am sure that I can continue to talk about this particular subject until the minister is prepared to give us some answer.

Mr. Sharp: There is a very simple explanation. If the hon. member will look at clause 59, which we will come to in due course if he has a little patience, he will see that it provides that all new banks will be given time to comply with the provisions of clause 53. That was the practice followed in the case of the Bank of Western Canada and I think it will be the practice followed in the case of all new banks which become established in Canada. It is my belief that this is a good practice because it is useful to have new banks in Canada owned by Canadians. The Treasury

Board and the governor in council in order to facilitate the establishment of those banks should allow some time for the shares to be distributed.

We have not had a new bank established in Canada for such a long time that this may seem an unusual provision. I do hope it will become increasingly common for groups to apply for charters, and that they will be granted some leeway to distribute their stock as widely as the law intends.

Mr. Horner (Acadia): I do not see any reference to 10 years in clause 57 such as was the case in respect of the B.I.F. group, which has proven to have consisted of of poor financial managers. It was given 10 years, whereas the Mercantile Bank, which does not have to prove its ability in financial management, was given only five years. The B.I.F. group must prove itself in the financial field yet it was given 10 years. Will the minister give us some reason for this difference?

Mr. Sharp: The Mercantile Bank does not have to dispose of any of its shares, if it does not wish to. If it wishes to remain a small operation, as it is today, it does not have to distribute any shares. The provisions of the law, to which we have not yet come, place restrictions upon any bank whose shares are owned to the extent of more than 25 per cent by any single individual, but if the bank chooses to remain small it may do so and retain 100 per cent of its ownership.

What we are talking about here is the incorporation of a new bank in Canada. I do believe that there should be some discretion to assist Canadians in establishing new banks. I believe we need more new banks and there will be many applications. I doubt whether it will be possible at the outset to distribute the shares so widely that all the banks will be able to comply from the first day with the 10 per cent requirement. It seems to me that under the circumstances 10 years is reasonable. Of course this is always a question of judgment. All these orders have been tabled for a long time. They were discussed to some extent in the committee on finance, trade and economic affairs.

We are not now confronting parliament with some very special, hidden arrangement. The details have been well known. They have been discussed in the newspapers and elsewhere. While some questions may be raised about some of the shareholders, it is hardly surprising that some difficulties should be experienced in getting a new bank started. This is one of the reasons why I doubt that a lot of the argument we have heard today, about the enormous profitability of banks, is justified. We are seeing evidence that it is very difficult indeed to get new banks started. Therefore I believe we should encourage them as far as possible, and permit them to have in excess of 10 per cent of their shares in the hands of individual shareholders. To me this seems a very small concession to make in order to get a bank successfully established.

Some hon. Members: Question.

Mr. Horner (Acadia): Mr. Chairman, hon. members seem to be in a great hurry. Surely we are not in any particular hurry. Finance is a very important subject. We are dealing with every facet of the Canadian economy. Hon. members on the other side are making great deal of noise. I wish they would rise and speak so that I could hear them more clearly. The microphones should be turned on and then all of us could hear them more clearly.

I should like to ask the minister why this restriction was put on the Mercantile Bank in particular. Was there a limit put on the Dutch interests, then we must conclude that the gov- back in 1953? If a limit is put on the U.S. interests, then we must conclude that the government is anti-American. I would not like to think that a country as big as Canada but dependant upon the economy of the U.S. and its ups and downs, as has been proven in the past, has acted in an anti-American manner by placing a limit on the size of a charter that was granted back in 1953 and forcing that company to divest itself of 75 per cent of its interests.

This suggests to me that the government is definitely anti-American. If the minister wishes to deny that, then I hope he will do so because I am very proud of our good relations with the U.S.

There is another question with regard to the management of the B.I.F. group which I should like to address to the minister. Would he admit now that only a very cursory examination was given by this department to the financial ability of the B.I.F. group before a licence was granted to the Bank of Western Canada? I would like to think that the minister gave this question a lot of thought before the charter was granted and the licence issued by his department.

We have seen Mr. Coyne, who is a very honest individual. I do not think there is a

man in Canada who would question his honesty. I am not saying his judgment is always correct but I believe that his intentions are honest. However, he certainly did not do the Bank of Western Canada any good by raising the furore he raised last fall. He did maintain his basic integrity. He could not live with the shakiness of the B.I.F. group which is still $1.4 million short.

• (11:50 p.m.)

I wonder if the minister will now admit that his department should have made a much more thorough examination of the financial ability of that group before he permitted it to have a charter? I know several ministers with whom I have talked in private who have told me that a bank charter is a very special and very valuable commodity in this country of ours. Just the charter alone is a very special and very valuable commodity. Surely, now that we have seen the difficulties into which the B.I.F. group has fallen, when we have seen that they are $1.4 million short, the minister could honestly declare to this house that in the future a much more thorough examination will be made of the financial management capabilities of a group asking for a charter. Surely this is not asking too much of the minister before this clause passes, to say that he is now convinced that the examination of the management of the bank was not enough. The examination should have been far more thorough.

The minister should be able to say that in the granting of bank charters in the future a much more detailed study will take place before the inspector general of banks comes before a committee and says, "Yes, the committee can rest assured that the management is sound and has ability". We even saw Mr. Stevens, the main spokesman for the B.I.F. group, come before us eight months later and say he was a little short. He wanted to go down to the United States to pick up the $1.4 million because there he would get the money and also experienced advice. Surely there has been a shortfall in the examination the minister's department has made. I should like him to say that in so far as future charters are concerned, there will be a much more thorough examination.

The minister may ask why I am so concerned. I am concerned because very close to

[Mr. Horner (Acadia).]

$6.3 million was money invested from western Canada, which money was invested on the strength of the understanding that the management had been examined, that James Coyne was in a group of very wise, shrewd financial men. This is why I am so concerned. I am firmly convinced that we westerners, as James Coyne said five months ago, were sucked in along with him. Now we are going to have to ride that out.

We have heard lately that the stock has changed hands and gone to Montreal from Toronto. I ask the Minister of Finance, has the inspector general of banks or his department examined this new group to see whether they are capable of managing a bank? Can we expect within a few weeks, five months or five years, that the whole bundle will go somewhere else? Surely the minister now realizes that his department did not examine the management ability of this group. As a result of that, the people of western Canada invested $6.3 million, and they find they have not had the money to use. It has been placed in trust, so to speak. The shares were bought at $15 per share, and the value has dropped substantially below that. If those shares were placed on the market, that would be the result and nobody on that side of the house can deny it.

We were sucked in, along with James Coyne, who invested only $7,500 in the bank. His intent was honest, but he found he could not live with the Stevens group from Toronto. Last fall he did not ask any questions. He did not point out anything factual to the committee, but he felt firmly this was going to happen. He raised a great furore and cleared his own name. But there is still a huge amount of money invested in that concern in western Canada. Does the minister realize that there was a shortfall in that concern which was examined by his department? Can he assure the house that before granting charters in the future a more thorough examination will take place? Because that is an important point.

Charters were granted in B.C. and others may be granted in Quebec and Ontario. I would not like to see the minister agree to granting a charter to a firm which had ten years to divest itself of its interest among aunts, uncles and brothers-in-law. That is what Mr. Stevens did in Toronto, according to the evidence given in the committee last year. He spread his investment around in this way. Therefore I should like the minister to assure

the committee that in granting further charters his department will make a much more thorough examination of the firm in question, so that we as legislators are assured that people enticed to join the firm in the years ahead can do so with confidence.

The B.I.F. group sold 50 per cent of its interest to a concern in Montreal. Let us suppose that the concern in Montreal does not get started. Could the minister step in under this clause and buy up that 50 per cent, place it in trust and hope to entice some financial experts to move in? No, he could not. This clause would limit the government to buying only 10 per cent, which would not be enough to bail out the B.I.F. group. I think this clause needs further study and that the minister should comment on the anti-American approach the government appears to be taking on the Mercantile Bank.

[*Translation*]

Mr. Grégoire: Mr. Chairman, I rise on a point of order. The Minister of Public Works and government leader (Mr. McIlraith) has made a rather firm commitment at ten o'clock to the effect that we would discuss the bill for one hour or so and then report progress. Two hours have now elapsed I think and the minister had stated that if no noticeable progress had been made by eleven o'clock or so debate would be adjourned until tomorrow.

We have been discussing the bill for two hours. In my opinion the progress accomplished since ten o'clock is not too noticeable since we have not tackled any new clause; instead we reverted to clauses already considered.

Since the hon. Minister of Public Works is not here, I want to know who replaces him. To whatever minister who replaces the government house leader, I ask if he is ready to rise and comply with the rather serious undertaking on the part of the Minister of Public Works and move the adjournment of the house until tomorrow?

[*English*]

The Chairman: The hon. member for Timiskaming.

Mr. Grégoire: A point of order, Mr. Chairman.

The Chairman: Is the committee ready for the question?

[*Translation*]

Mr. Grégoire: Mr. Chairman, it is not a question of being ready or not. It is midnight and the Minister of Public Works had made a formal commitment. I am wondering who is replacing him and whether he intends to honour the commitment made this afternoon by the government house leader.

• (12:00 midnight)

Mr. Peters: The minister raised an important question in which I am vitally concerned. A few moment ago he answered questions asked by the hon. member for Acadia.

Mr. Grégoire: On a question of privilege, Mr. Chairman.

[*Translation*]

Mr. Chairman, I rise on a question of privilege.

The government house leader made a commitment. There were other ministers, at that time, who are still in the house. He said that if no substantial and appreciable progress was made, he would move the adjournment around eleven o'clock, we have been discussing for two hours already.

Did the minister make that proposal in order to fool us? That is my question of privilege. Furthermore, the Minister of Public Works, who made that commitment, is no longer here to answer. So we might go on until five o'clock tomorrow, without making any progress, and as the minister is no longer here, there is no one to answer now.

So here is my question of privilege: a commitment was made by a cabinet minister, with whom all the others are solidary. I ask them, on the basis of this ministerial solidarity, whether they are ready to honour that commitment made by one of their colleagues and whether or not any progress has been made. If not, let us have the adjournment.

That is my request and I think, Mr. Chairman, that my question of privilege should be taken into consideration by the other members of the cabinet.

[*English*]

Mr. Nasserden: I think the hon. member's question of privilege is well taken. In answering some questions the Minister of Finance brought up the relationship between some shareholders and directors of the Bank of

Western Canada. I should like to take a look at the record, when it is official, to follow what has been brought up.

The Chairman: I am having trouble relating the remarks of the hon. member to the question of privilege.

Mr. Nasserden: The relationship is that because of answers made the debate has been prolonged.

The Chairman: Is the committee ready for the question?

Mr. Peters: Mr. Chairman, I am interested in a matter the minister has raised.

Mr. Grégoire: On a question of privilege, Mr. Chairman. I refer to the same question of privilege. I see that the government house leader has arrived and I think the question I have raised requires an answer. We have a definite commitment from the house leader about what would happen if he finds we have made progress—and I do not think the majority of the committee thinks we have. He should respect that commitment.

Mr. McIlraith: I shall be glad to deal with the subject. The hon. member, who heads a party that is unanimous in the house in that it has only one member, gave a firm commitment to me that he intended to finish the committee stage of the bill tonight, that there would be no objection from him and no delaying in the committee of the whole procedure, and that it would finish tonight. In the light of that I am mystified by the question of privilege he has now raised. Some progress has been made, notwithstanding the hon. member for Lapointe. I shall be glad to carry out my commitment exactly as it was made with other members of the committee. I recognize the lateness of the hour, but I also recognize that many members want to proceed and are trying their best to proceed with the discussion of this bill. It is just a matter of what the committee wishes to do in the circumstances in which we find ourselves at the moment.

Mr. Lewis: On a point of order. May I ask the minister how long he intends to request the committee to sit? It is now after midnight. I will not enter into a debate as to precisely what the commitment was, but it is my impression that the kind of progress we have made would not have justified continuing as long as we have. It would certainly not justify our continuing beyond midnight. But I am not arguing about that. I should like to know from the Minister of Finance or from the leader of the house whether it is intended that we sit until the bill is passed, which may be three or four o'clock in the morning.

Mr. McIlraith: No. I would think it has to be made clear, very quickly, that there is a will on the part of hon. members to get down to the discussion of clauses, and some apparent progress has to be made. Otherwise I will move the adjournment.

[*Translation*]

Mr. Grégoire: Mr. Chairman, on the same question of privilege. I would like to refer to a statement made by the Minister of Public Works (Mr. McIlraith.) When he tells me that I agreed that we could finish the bill tonight, I must tell him that I am not responsible for what happens in all corners of the house.

Mr. Chairman, I committed myself to the same thing as the Minister of Public Works namely that if noticeable progress was made within a few hours, we would be ready to finish examining the bill. But when it looks as if this might go on all night, until six o'clock in the morning, then, Mr. Chairman, I certainly did not agree to that, I never told the minister that I was ready to continue until six o'clock in the morning. I think it would have been better for the Minister of Public Works to report faithfully what has been said or not to have asked us our opinion outside the house.

[*English*]

Mr. McIlraith: I would point out that there is no question of privilege in what the hon. member for Lapointe has said. But as to the substantive question as to whether or not the committee should rise now, I am quite prepared to act in a way which, I hope, will meet the wishes of hon. members, because I recognize the lateness of the hour. Does the committee feel there is any possibility of making any progress by continuing?

Some hon. Members: Yes.

Mr. Horner (Acadia): No, no.

Mr. McIlraith: Then, Mr. Chairman, I think I should ask you to rise and report progress.

Progress reported.

• (12:10 a.m.)

Mr. McIlraith: Mr. Speaker, I move that this house do now adjourn.

Mr. Deputy Speaker: Maybe I should point out to the house that there will be no other adjournment motion, and therefore no proceedings on the so-called late show.

Mr. Knowles: We have had it.

Motion agreed to and the house adjourned at 12.15 a.m.

HOUSE OF COMMONS

The house met at 2.30 p.m.

Tuesday, March 21, 1967

COMMITTEES OF THE HOUSE

Eighth report of standing committee on industry, research and energy development—Mr. Cashin.

[*Translation*]

Eleventh report of standing committee on broadcasting, films and assistance to the arts—Mr. Stanbury.

[*English*]

Fifth report of standing committee on Indian affairs, human rights and citizenship and immigration—Mr. Klein.

Tenth report of standing committe on justice and legal affairs—Mr. Cameron (High Park).

NORTHERN AFFAIRS AND NATIONAL RESOURCES

Mr. R. J. Orange (Northwest Territories): Mr. Speaker, I have the honour to present the sixth report of the standing committee on northern affairs and national resources, in English and in French.

Mr. Dinsdale: I rise on a point of privilege, Mr. Speaker. I should like to point out that this report is presented on division.

[*Note: Text of the foregoing report appears in today's Votes and Proceedings.*]

LABOUR RELATIONS

RAILWAY DISPUTE—AGREEMENT WITH ONE UNION AND APPOINTMENT OF ARBITRATION BOARD

Hon. J. R. Nicholson (Minister of Labour): Mr. Speaker, I am pleased to inform those hon. members who have not heard it over the air that an agreement has been reached on the terms of settlement between the railway companies concerned and the negotiating committee of the Canadian Brotherhood of Railway, Transport and General Workers representing some 20,000 employees. The agreement is to be submitted immediately for ratification. I may say that the agreement was reached with the assistance of Mr. Carl Goldenberg who it will be recalled was appointed mediator some months ago. In view of this development both the brotherhood and the companies concerned have asked that I withhold any action or arbitration on this particular dispute.

I also wish to announce the appointment of a board of arbitrators under section 10 of the Maintenance of Railway Operation Act, 1966 to deal with the dispute between the shop craft unions and the railway companies mentioned in the schedule to the act. Some 23,000 employees are involved. This is the only group that now has asked for arbitration. The board of arbitration will consist of Hon. Wilfrid Roach, formerly a justice of the Ontario court of appeal, Mr. Leon Lalande, Q.C. of Montreal and Dr. Horace Read, Q.C. of Halifax. Mr. Roach will serve as chairman of the board.

• (2:40 p.m.)

I also wish to lay before the house, Mr. Speaker, the regulations establishing the said board. I do so by tabling two copies in English and two copies in French.

Mr. Speaker: Has the minister leave to table the regulations to which he has just alluded.

Some hon. Members: Agreed.

[*Later:*]

On the orders of the day:

Mr. David Lewis (York South): May I ask the Minister of Labour a question in two parts arising out of the announcement he made earlier. First, is he in a position to inform the house whether the settlement between the railways and the C.B. of R.T. follows the lines of the settlement made with other unions with the assistance of Mr. Goldenberg? Second, can the minister inform us whether two of the members of the board of arbitration which he announced, Mr. Lalonde and Mr. Green, were appointed on the recommendation of the parties to the dispute or by the governor in council?

Hon. J. R. Nicholson (Minister of Labour): To answer the first part of the question, there

are some points of difference in the settlement reached as compared with the settlements in the other cases, but there is a uniform pattern throughout all the settlements. The differences are those one might expect because of the varying circumstances involved.

With regard to the second part of the question, the responsibility for the selection of the arbitrators was placed by parliament upon the governor in council. Incidentally, I might point out that the hon. member erred in the name of one of the arbitrators. It is Dr. Horace Read, not Mr. Green. All three of the arbitrators were chosen by the governor in council.

Mr. Lewis: Would the minister inform us whether the railways and the unions concerned were consulted about the persons appointed? I thought the minister said "Green"; I understand now it is Horace Read.

Mr. Nicholson: Suggestions were made by the groups involved, but I think I can safely say that no one of the three arbitrators was recommended by either side. They were chosen by the government entirely on its own responsibility.

NATIONAL MUSEUMS

ESTABLISHMENT OF CORPORATION FOR ADMINISTRATION

Hon. Judy V. LaMarsh (Secretary of State) moved for leave to introduce Bill No. S-57 (from the Senate), to establish a corporation for the administration of the National Museums of Canada.

Motion agreed to and bill read the first time.

EXPO '67

REQUEST FOR STATEMENT ON ESTIMATED DEFICIT

On the orders of the day:

Right Hon. J. G. Diefenbaker (Leader of the Opposition): Mr. Speaker, my question is directed to the Minister of Trade and Commerce, and it is with respect to an article in today's *Globe and Mail* which no doubt, coming from Toronto, he reads with care and thought. What is the government's position with regard to financing Expo, in view of the disquieting reports that the deficit is now estimated to be of the order of approximately $100 million? Will the minister before this session ends, possibly tomorrow, give a detailed statement about the situation in general, and will he advise the house whether it is in fact true that in advertising Expo in the United States the fabulous sum of $13 million is being expended.

Hon. Robert Winters (Minister of Trade and Commerce): Mr. Speaker, under the terms of the act establishing Expo, the minister responsible for the federal government's participation is required to periodically table in parliament an estimate of the capital and operating expenditures, and this has been done. This is a matter of public knowledge.

Mr. Diefenbaker: How long ago?

Mr. Winters: Very recently.

Mr. Diefenbaker: How long ago?

Mr. Winters: A few weeks ago; just recently. But as to the deficit, this is entirely dependent on the public response to Expo, the response of the people, of customers coming through the turnstiles and spending money in Canada. It is difficult, almost impossible, to estimate that response. It is estimated that regardless of the response within the gates of Expo itself, the net return to Canada will result in a profit on the expenditures made by the various governments concerned with Expo, which has every likelihood of being a tremendous success. The moneys expended for advertising in the United States, to which the right hon. gentleman referred are part of our insurance for the success of Expo.

Mr. W. B. Nesbitt (Oxford): A supplementary question, Mr. Speaker, addressed to the Secretary of State. In view of the question to the Minister of Trade and Commerce by the right hon. Leader of the Opposition, and the general interest in encouraging people to come to Expo, would the Secretary of State convey to the Canadian Broadcasting Corporation the suggestion that further programs such as "Shop Talk" this morning and others which have occurred within the last few weeks, and which are actively discouraging people from coming to Expo, be discontinued?

Hon. Judy V. LaMarsh (Secretary of State): Mr. Speaker, I shall be happy as always to convey my hon. friend's thoughts to the C.B.C.

HOUSE OF COMMONS

PRESENCE IN GALLERY OF MEMBERS OF STRATFORD SHAKESPEAREAN COMPANY

On the orders of the day:

Hon. Judy V. LaMarsh (Secretary of State): Mr. Speaker, I wish to draw to the attention

of the house a number of very illustrious young Canadians, members of the Stratford Shakespearean company, which opened last night in Ottawa on the centennial festival of Canada tour.

Some hon. Members: Hear, hear.

BANKRUPTCY

REQUEST THAT SPECIAL COMMITTEE HEAR A. G. HEAKES

On the orders of the day:

Mr. Raymond Langlois (Mégantic): My question is for the Solicitor General in the absence of the Registrar General. I should like to recall a question which was asked last week by the hon. member for Kootenay West concerning the special committee of three which has been set up to study the bankruptcy situation in this country and complaints with regard to it. Would the Solicitor General be willing to allow a certain Mr. Heakes to testify and explain his classical case before this committee? I have on the order paper a motion for the production of papers which is relevant to this matter, and if the procedure I suggest were followed I could remove this motion for papers.

Hon. L. T. Pennell (Solicitor General): I will take notice of the question and bring it to the attention of the Registrar General.

LABOUR RELATIONS

REQUEST FOR CONSIDERATION OF TECHNOLOGICAL CHANGES BY MANAGEMENT-LABOUR CONFERENCE

On the orders of the day:

Mr. A. B. Patterson (Fraser Valley): I wish to address a question to the Minister of Labour and ask him whether he will consider the advisability of calling a summit conference of labour and management as recommended by Mr. Jean-Réal Cardin in his presentation to the conference on labour-management relations, to consider all problems related to technological change.

Hon. J. R. Nicholson (Minister of Labour): Having read the paper in question with great interest I can assure the hon. member that serious consideration will be given to his suggestion.

FINANCE

REPORTED BANK CHARGES FOR RENEWAL OF PERPETUAL BONDS

On the orders of the day:

Mr. W. H. A. Thomas (Middlesex West): I should like to put a question to the Minister of Finance. As reported at page 12557 of *Hansard* for February 2 the minister promised to make inquiries into certain charges made by the banks for renewal of the 3 per cent perpetual bonds. Has the minister authorized remuneration to the banks for renewing these bonds, which he promised to look into at that time?

Hon. Mitchell Sharp (Minister of Finance): Mr. Speaker, I have had this question investigated, and I understand that in a few isolated instances charges were made by branch banks for this service. We have not authorized such a charge, and we are taking up the matter with the Canadian Bankers' Association.

LABOUR CONDITIONS

NOVA SCOTIA—STEPS TO DEAL WITH UNEMPLOYMENT

On the orders of the day:

Mr. Robert C. Coates (Cumberland): Mr. Speaker, I wish to direct a question to the Minister of Manpower and Immigration. Is the minister in a position to indicate what action his department plans to take with regard to serious unemployment situations developing in Nova Scotia, especially in Amherst where the two major industries have laid off large numbers of employees with no indication as to when they might be re-employed, with the only alternative being transportation assistance to some other area of Canada?

Hon. Jean Marchand (Minister of Manpower and Immigration): Mr. Speaker, I think what my department can do in such cases is very well known. The department of manpower makes placements, gives travelling grants and also gives retraining allowances. Of course we do not have an instrument in the department to fight seasonal or local unemployment as such, but in Nova Scotia we are going to do what we are doing elsewhere.

Mr. Coates: Mr. Speaker, I would like to direct a supplementary question to the Minister of Industry. May I ask him whether action is being taken through the Department of Defence Production for greater work in-put at Enamel and Heating, which only this week has indicated that further lay-offs will take place.

Hon. C. M. Drury (Minister of Industry): Mr. Speaker, I think the question of consideration for Enamel and Heating has been raised

on a number of instances, and we will continue to do what we can to see they are provided with a fair share of the work load.

INQUIRY OF THE MINISTRY

On the orders of the day:

Mr. J. N. Ormiston (Melville): Mr. Speaker, I wish to direct a question to the Minister of Energy, Mines and Resources. Is the minister aware that the Ryan trophy of the Canadian Institute of Mining and Metallurgy will be awarded on March 26 to the International Mineral and Chemical Corporation of Esterhazy, Saskatchewan, for the best safety record in Canada? This potash mine is the most modern in the world and deserves this award. Would the minister convey congratulations to I.M.C. on this achievement?

Some hon. Members: Hear, hear.

EXPO '67

REPORTED OBJECTIONS TO DESIGN OF WEST GERMAN PAVILION

On the orders of the day:

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, I wish to address a question to the Minister of Trade and Commerce. My question is based on an aerial photograph of the West German pavilion at Expo '67 which is supposed to represent a map which includes certain areas of the present Polish state and other eastern European states. A copy of this photograph was recently sent to me. I am also informed that the shape of this pavilion has been severely criticized by some eastern European states. Is the government of Canda responsible for the design of pavilions at Expo, and would the minister investigate the basis for these objections raised by some eastern European countries to the design of the pavilion of the West German government?

Mr. Speaker: Order. I would think both these questions should be placed on the order paper.

NORTHERN AFFAIRS

ALASKA HIGHWAY—REQUEST FOR STATEMENT ON GOVERNMENT POSITION

On the orders of the day:

Mr. G. W. Baldwin (Peace River): Mr. Speaker, I would like to direct a question to the Minister of Indian Affairs and Northern Development. In light of the very interesting and welcome announcement as to new mineral development in the Yukon, and having in mind the minister's statement as to the need for increasing port facilities would he, in collaboration with his colleagues, immediately review the government's position with regard to the Alaska highway and shortly make a statement in the house on the government's intentions and the result of discussions it has had with the United States and British Columbia?

Mr. Speaker: Order, please. I suggest to the hon. member that this is not a proper question at this time.

ADMINISTRATION OF JUSTICE

STEVEN TRUSCOTT—INQUIRY AS TO FINDINGS OF SUPREME COURT

On the orders of the day:

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, may I direct a question to the Solicitor General. Has the Supreme Court of Canada given any indication as to when its findings with respect to the case of Steven Truscott will be made known to the government?

Hon. L. T. Pennell (Solicitor General): I have no information on this matter, Mr. Speaker, and I do not anticipate that any prior notice will be given to the law officers of the crown before judgment is rendered.

CROWN ASSETS

REPORTED SALE OF OBSOLETE DEFENCE MATERIAL

On the orders of the day:

Mr. R. N. Thompson (Red Deer): Mr. Speaker, may I direct a question to the Minister of National Defence. In a current report it is revealed that some $103.7 million worth of obsolete but still serviceable defence equipment was sold for approximately $4.7 million through the Crown Assets Disposal Corporation. In view of the huge increase in government expenditure both this year and next, what assurance can the minister give that vast amounts of tax dollars are not being wasted through inadequate policies and inefficient administration?

Mr. Speaker: Order. This question is not in order.

AGRICULTURE

MILK—REPORTED DELAY IN RECEIPT OF SUBSIDY CHEQUES

On the orders of the day:

Mr. R. A. Webb (Hastings-Frontenac): Mr. Speaker, I should like to ask the Minister of

Agriculture whether there is any reason that the fluid milk shippers have not received their subsidy cheques since January 14.

Hon. J. J. Greene (Minister of Agriculture): Mr. Speaker, to the best of my knowledge most of them have. I was under the impression that they were all receiving the cheques regularly. If my hon. friend has information regarding any specific instances in which these cheques were not received, I would be glad to look into the matter.

MR. JUSTICE LANDREVILLE

INQUIRY AS TO ACTION PROPOSED BY GOVERNMENT

On the orders of the day:

Right Hon. J. G. Diefenbaker (Leader of the Opposition): Mr. Speaker, I should like to direct a question to the Acting Prime Minister. Would he advise the house whether it is the intention of the government to bring in a motion in connection with the case of Mr. Justice Landreville? Second, I should like to ask the Acting Prime Minister what action the government is taking regarding the unparalleled request by the justice to appear on the floor of the House of Commons while it is in session.

Hon. Paul Martin (Acting Prime Minister): Mr. Speaker, I am not in a position to give an immediate reply. I understand that the evidence of the committee has not yet been printed. Perhaps later in the day or certainly tomorrow I may be in a position to say more about it.

BUSINESS OF THE HOUSE

COMMITTEE EXAMINATION OF OFFICIALS OF AIR CANADA AND C.N.R.

On the orders of the day:

Mr. Thomas M. Bell (Saint John-Albert): Mr. Speaker, my question is for the Minister of Transport. Is it the intention that officials of Air Canada and the C.N.R. will be examined by the committee on transport and communications? If so, when? I ask this question because it is a considerable time since we have looked over these annual reports. Some of them already have appeared.

Hon. J. W. Pickersgill (Minister of Transport): Mr. Speaker, the annual report of Air Canada was tabled the other day. I have been advised by my friend, the hon. member for Hamilton West that he hopes to be able to arrange for the officials of Air Canada to appear quite early after what we fondly think of as the Easter recess.

INDUSTRY

NEWSPRINT—INQUIRY AS TO ACTION RESPECTING PROPOSED PRICE INCREASE

On the orders of the day:

Mr. Barry Mather (New Westminster): Mr. Speaker, I have a question which I should like to direct to the Minister of Finance. Having in mind the $3 a ton increase in prices scheduled for the newspapers of Canada by the newsprint industry, is consideration being given by the government to consultation with the newsprint industry with a view to restraining this proposed general increase, as was done in respect to the steel industry?

Hon. Mitchell Sharp (Minister of Finance): No, Mr. Speaker; I have no plans to meet with the newsprint industry.

IMMIGRATION

INQUIRY AS TO ENTRY OF AGRICULTURAL WORKERS

On the orders of the day:

Mr. H. W. Danforth (Kent (Ont.)): Mr. Speaker, I should like to direct a question to the Minister of Manpower and Immigration. I wonder whether, before the Easter adjournment, the minister would be in a position to announce to the house government policy regarding the matter of seasonal farm labour, due to the approach of the planting season.

Hon. Jean Marchand (Minister of Manpower and Immigration): I do not believe so, Mr. Speaker.

HOUSE OF COMMONS

CHANGES IN RULES SUGGESTED BY MINISTER WITHOUT PORTFOLIO

On the orders of the day:

Mr. Howard Johnston (Okanagan-Revelstoke): Mr. Speaker, I have a question for the Acting Prime Minister. Do the suggested changes in house procedures presented by the Minister without Portfolio in a speech delivered to the Osgoode Hall legal and literary society, which would prevent Social Credit and Créditiste spokesmen from replying on motions, represent official government thinking in this regard?

Hon. Paul Martin (Acting Prime Minister): I am told it was a very interesting speech.

Inquiries of the Ministry

EXPO '67

APPLICANTS FOR ACCOMMODATION QUERIED AS TO RACE

On the orders of the day:

Hon. Robert Winters (Minister of Trade and Commerce): Mr. Speaker, yesterday the hon. member for Winnipeg North Centre asked whether I was aware of the advice being given by Logexpo to applicants for accommodation in Montreal during Expo '67 to the effect that they should indicate their race.

Mr. Speaker, no such advice is being given. Because of the seriousness of the suggestion, I looked into this matter quite carefully. The Quebec lodging service for Expo '67 is operated by the Quebec government, and has the responsibility for selecting the accommodation which Logexpo then makes available to visitors to Expo. No printed form of Logexpo or of the Quebec lodging service for Expo '67 asks any question regarding race or creed, and certainly no such question is asked of prospective visitors to Expo '67. In fact the hotels act of the province of Quebec specifically provides that there shall be no such discrimination. As far as the federal government is concerned, we have made our views in this regard clearly known to Expo.

PUBLIC SERVICE

EASTER MONDAY—INQUIRY AS TO HOLIDAY

On the orders of the day:

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, may I direct a question to the President of the Treasury Board. On Thursday, March 9, I asked him whether it had been indicated that Easter Monday would be a holiday for classified civil servants but not for prevailing rates employees. I asked further whether the government would consider treating both groups in the same manner. The minister said he would look into the matter. Has he anything further to say about this matter at this time?

Hon. E. J. Benson (Minister of National Revenue and President of the Treasury Board): Mr. Speaker, these groups of employees are being treated this year exactly the same as in previous years.

IMMIGRATION

REPORTED DISCRIMINATION IN ADMISSION OF IMMIGRANTS FROM POLAND

On the orders of the day:

Mr. Ralph Cowan (York-Humber): Mr. Speaker, I have a question for the Minister of Manpower and Immigration of which I have given him notice. At page 38 of the white paper on immigration there is reference to the non-discriminatory policy of the department. I should like to ask the minister how it is that five members of the Kawa family from Poland have been admitted to Canada, yet the children of a sixth brother are being discriminated against. At the moment Mr. Gruszka lives across the road from me in Toronto, and I should like to ask why there is a policy of discrimination against this man when his five uncles and aunts have been allowed into Canada.

Mr. Speaker: Order, please. The question as asked contains allegations, and I do not think it should be accepted in that form.

AIR CANADA

SUGGESTED INCREASED USE OF WINNIPEG MAINTENANCE BASE

On the orders of the day:

Mr. Ed. Schreyer (Springfield): Mr. Speaker, my question is addressed to the Minister of Transport. Can he give a clear indication as to the disposition of the request by the Manitoba government that DC-9 jet aircraft be overhauled and serviced at the Winnipeg airport?

Hon. J. W. Pickersgill (Minister of Transport): The representations made by the Manitoba government were passed on to Air Canada which, of course, has the responsibility for formulating policies of management in this regard. I did ask them to give me their views, but up to this point I have not received them.

Mr. Thomas M. Bell (Saint John-Albert): Mr. Speaker, does that not indicate another reason for the minister to accept this responsibility of seeing that the estimates of Air Canada go to the committee fairly soon?

OLD AGE SECURITY

INCOME SUPPLEMENT—GRATUITY TO RETIRED N.S. COAL MINERS

On the orders of the day:

Mr. Robert Muir (Cape Breton North and Victoria): Mr. Speaker, the other day I asked the Minister of National Revenue whether gratuities received by retired Nova Scotia coal miners would be calculated as income for the purpose of qualifying for the guaranteed income supplement. At that time he said he would give an answer in the afternoon. I

might say he was very prompt and an answer was sent to my office that afternoon, although I regret I was not there. In that answer reference is made to $35. I should like to ask whether any amount they may receive will be calculated as income for this purpose.

Hon. E. J. Benson (Minister of National Revenue and President of the Treasury Board): Mr. Speaker, the amounts received from pension funds, whether they have been contributed to by the employer or employee, are generally considered as income for tax purposes. Any amount, no matter how small, will be taken into consideration. I might say that steps are taken to offset some of these amounts in calculating benefits to be received under the supplementary old age pensions.

Mr. Donald MacInnis (Cape Breton South): I have a supplementary question, Mr. Speaker. I should like to ask the minister how he or the government arrived at the decision that retired Cape Breton miners are receiving pensions.

Mr. Benson: Mr. Speaker, in the answer I sent to my hon. friend I was a little more explicit, and I thought I should not go into it in detail in the house. Under the general rules for determining the amount of supplementary old age pension, income is considered in the same light as income under the Income Tax Act. An amount which would be income under the Income Tax Act would be considered as income in determining the supplementary pension.

Mr. MacInnis (Cape Breton South): If you will allow me to do so, sir, I should like to point out to the minister, as was pointed out to the Minister of National Health and Welfare at the time this legislation was considered by this house, that miners in Cape Breton receive no pensions whatsoever.

Mr. Speaker: Order, please.

Mr. MacInnis (Cape Breton South): Mr. Speaker, my question is—

Mr. Speaker: Perhaps the hon. member will ask his question.

Mr. MacInnis (Cape Breton South): Yes, Mr. Speaker. I should like to ask the minister to take note of some of the correspondence between the Minister of National Health and Welfare and the miners of Cape Breton in respect of the gratuities they receive and—

Mr. Speaker: Order, please.

Inquiries of the Ministry

NATIONAL DEFENCE

REQUEST THAT ACTING PRIME MINISTER READ EVIDENCE GIVEN TO COMMITTEE

On the orders of the day:

Hon. Gordon Churchill (Winnipeg South Centre): Mr. Speaker, I should like to direct a question to the Acting Prime Minister, if I can engage his attention. Is it the minister's intention to read the complete text of the evidence taken before the defence committee in order to form his own judgment, in view of the fact that the cabinet was not kept fully informed concerning the program of integration and unification.

Mr. Speaker: Order, please. The question contains an allegation, and is not acceptable.

REPORTED WEARING OF NEW UNIFORM ON PARLIAMENT HILL

On the orders of the day:

Right Hon. J. G. Diefenbaker (Leader of the Opposition): Mr. Speaker, the Minister of National Defence did not have an opportunity yesterday to answer a question I asked him. In reply to the hon. member for Cape Breton South he said:

> —all uniforms are worn under the authority of the minister pursuant to the National Defence Act.

The question I asked related to the appearance of certain members of the armed forces on parliament hill apparently wearing green uniforms. Were those uniforms worn with the consent and approval of the minister, and do they represent the view of the government at this time regarding the nature of the uniform which the united forces will wear?

Hon. Paul Hellyer (Minister of National Defence): Mr. Speaker, as I have indicated on a number of occasions, it is the intention of the government, the minister and the department that a number of uniforms will be worn this summer on a trial basis to determine their suitability for the forces in years ahead.

These uniforms are presently in the process of being developed, and they will be issued to selected members of the armed forces very soon to be worn this summer. In this process of development some photographs are being taken in order that they may be shown to members of the armed forces to acquaint them with our plans. It is hoped that as soon as this has been done—and this has been indicated to the armed forces—they can be taken into the confidence of the department at the outset, at which time they may obtain

their information internally through appropriate channels rather than by seeing pictures of the uniforms in the newspapers.

Hon. Gordon Churchill (Winnipeg South Centre): May I ask a supplementary question. Will the minister indicate the estimated cost of this propaganda effort?

Mr. Hellyer: This particular effort will not be costly. The uniforms are being developed in fairly limited quantities for user tests. My hon. friend may or may not be aware that each of the three services was in the process of developing a new uniform of its own. Consequently the development of a single uniform at this time will probably save the Canadian taxpayers a certain amount of money. I am sure that news is welcomed by my hon. friend. I hope he will like the new uniforms as well as those people who have seen and worn them, because I am sure he will realize that they will reflect great credit on the fine Canadians who will wear them this summer.

Mr. Churchill: If the minister does not buy the Cadillac he has in mind he will save money; is that right?

Mr. Hellyer: Mr. Speaker, the minister has never been able to afford a Cadillac.

Mr. Diefenbaker: Mr. Speaker, perhaps the minister will come down from the high atmosphere and answer the question. Were the soldiers on parliament hill on March 17 wearing a uniform which was authorized by him? That is the question!

Mr. Hellyer: There is an old saying which my right hon. Baptist friend will appreciate. "The better the day the better the deed." I think it was on March 17, St. Patrick's day, when these uniforms were worn. Certainly at that time they were worn on the authorization of the Minister of National Defence and the chief of defence staff.

Mr. Diefenbaker: Mr. Speaker, the reference to Baptists leads me to state that we Baptists would never abolish the navy.

Some hon. Members: Oh, oh.

Mr. Macdonald (Rosedale): On a question of privilege, Mr. Speaker, speaking for at least my section of the Baptist church, I do not agree with the right hon. gentleman.

Mr. MacInnis (Cape Breton South): Do you mean you would abolish the navy?

[Mr. Hellyer.]

Mr. W. B. Nesbitt (Oxford): Mr. Speaker, the question I was about to pose was very similar to that asked by the right hon. Leader of the Opposition, but I should like now to ask the Minister of National Defence the following question. Having been one of those fortunate members who saw the rather furtive appearance of the new uniforms on parliament hill last St. Patrick's day, would the minister consider having some of the members of the armed forces decked out in the new uniform for the Easter parade so we could all see them prior to the defence bill coming before the house again?

Mr. Speaker: Order, please. I wonder whether hon. members do not think it is time to call orders of the day.

BANK ACT

DECENNIAL REVISION AND EXTENSION OF CHARTERS

The house resumed, from Monday, March 20, consideration in committee of Bill No. C-222, respecting banks and banking—Mr. Sharp—Mr. Batten in the chair.

The Chairman: Order. The house again in committee of the whole on Bill No. C-222, respecting banks and banking. When the committee rose last evening, March 20, clause 53 of the bill was under discussion. The following clauses had been allowed to stand: 1, 33, 54 to 57 inclusive, and 75.

On clause 53—*Limit on shares held by non-residents.*

The Chairman: Shall clause 53 carry?

Mr. Lewis: Mr. Chairman, unless I am mistaken there is an amendment to clause 53 before the committee. Surely we should take the amendment first. I may be wrong, but that is my memory.

The Chairman: Order. The hon. member for York South is quite correct, and I apologize to him. The committee is now dealing with the amendment to clause 53 proposed by the hon. member for Nanaimo-Cowichan-The Islands.

Some hon. Members: Question.

The Chairman: Is the committee ready for the question?

Some hon. Members: Question.

Amendment (Mr. Cameron, Nanaimo-Cowichan-The Islands) negatived: Yeas, 10; nays, 95.

The Chairman: I declare the amendment lost. Shall clause 53 carry?

Mr. Sharp: Mr. Chairman, during the discussion of an earlier clause the chairman of the committee on trade, finance and economic affairs gave notice that he was going to move an amendment on behalf of the hon. member for Verdun, which is to be found in *Hansard* for March 17 at pages 14152 and 14153. Perhaps the hon. member for Verdun would now like to follow through with his original intention.

Mr. Mackasey: Mr. Chairman, during the opportunity to speak on this bill on clause 2 I, like other members of the committee, reviewed some of the activities of the banking committee and some of the conclusions that we arrived at. I reviewed the minister's answers before the committee, not only in answer to some of my questions but some of those asked by the hon. member for Regina and other prominent members of the committee. The minister enunciated on several occasions that the principle behind the bill was to prevent large blocks of shares being held by individuals and their associates, which in the opinion of the minister, would act to the detriment of banking in general in Canada.

The various amendments to the bill brought forward at that time in my opinion and, I would say, in the opinion of all members of the committee, tended to tighten up many of the loopholes that existed. But there was one in particular that bothered me and it obviously also bothered the chairman of the committee. Since I did not anticipate being here today, the chairman of the committee very kindly followed through for me in his speech on Friday last. I refer to the possibility of individuals and their associates, as defined in the act, at present owning more than 10 per cent of the shares of a bank and adding substantially to their holdings on those occasions when new subscriptions or new share capital may be authorized by the governor in council. As I recall the minister's answers at the time, and I wish I could quote them precisely now, he assured the committee that on those occasions when the Mercantile Bank or any bank would request and obtain permission to increase their authorized share capital, those shares would be disposed of by sale to Canadians only.

• (3:20 p.m.)

The other evening I expressed the opinion that laudable as the minister's intentions were, and convincing as his assurances sounded before the committee, this intention was not necessarily reflected in any of the clauses of the present bill. While I did not question the motive of the minister, I did express grave doubt that the minister or the governor in council would have a legal right to impose this type of condition under the provisions of the Bank Act. I suggested, therefore, that possibly it would be in the best interests of the bill if the minister were to introduce some amendment at the appropriate place that would ensure the pro-Canadian spirit of the act.

Perhaps by way of clarification, before reading the amendment, I should point out the situation as it now exists with respect to Mercantile. Under one of the restrictive clauses, I believe it is 75(2)(g), Mercantile Bank has been given permission to dispose of 75 per cent of its shares over a period of five years if the bank desires to avoid the restrictive features of this particular clause concerning the ratio of liabilities. I point out to the committee that there is nothing in the law that says Mercantile must divest itself of these shares, but the law is quite clear that it must divest itself of 75 per cent of the shares if it wants to avoid the punitive features of this particular clause. Furthermore the committee, at the suggestion of other members, also included a provision to the effect that where a bank is more than 25 per cent owned by non-residents, there can no longer be a transfer of bank shares from one non-resident to another. In other words the whole spirit of the bill has been to retain, as much as possible, Canadian control of our banking institutions.

What bothered me was precisely what the minister had in mind, as I reread the testimony, in those future cases where permission would be granted by the governor in council to Mercantile to increase its authorized shares. What is there in the bill that would prevent such a bank from retaining 25 per cent of its shares in perpetuity simply by buying up 25 per cent of the new issues? This could happen despite the assurances of the minister on half a dozen occasions that this is not the spirit of the act.

I requested the minister to introduce some amendment—this refers to all banks—which would provide that if any individual now owns more than 10 per cent of the shares of a bank and that particular bank does obtain permission to increase its share capital, that particular individual and his associates should

not be able to purchase any of these authorized shares. This in effect would mean that whenever Mercantile or any other bank attempted to increase its size by increasing the authorized share capital, the bank could do so only by the sale of those shares to Canadians until such time as the non-resident ratio was down to 25 per cent, and under no circumstances could those shares be purchased by someone who at that time owned more than 10 per cent of the shares.

This is not a new interpretation. This is what the minister assured the committee on three or four occasions was the intention. I expressed the reservation, however, that although I recognized the sincerity of the minister's desire, I would feel more comfortable if this expressed intention of the minister were transferred into some provision in the bill. Accordingly the chairman of the banking committee, as recorded on page 14152 of *Hansard*, pointed out that to attain the objective I desired an amendment would be required to another clause as well. Perhaps I should read his remarks so I can interpret precisely what I had in mind:

Mr. Gray: I have no objection to that. It will be recalled that the hon. member for Verdun yesterday gave the committee his views, and I quote him as follows as recorded at page 14107 of *Hansard*:

"What bothers me, and I say this directly to the minister, is that I am not certain in reading the bill that the governor in council necessarily has that right."

I might say in explanation to the committee that the right I was talking about was to impose a condition on how the shares could be sold and who could buy those shares where the governor in council authorized an increase in the share capital. I continue the quotation from page 14152 of *Hansard*:

This was referring to the preceding part of his remarks.

"I suggest to the minister, and this might be implemented on the appropriate clause ... that we ensure that whenever a bank receives permission to increase its share capital, no individual, as defined in the act, be permitted to add to his shares so long as he or his group owns more than 10 per cent of a bank."

I think this will meet with everybody's approval.

"I am not talking of a specific bank; I am talking of any bank; and more than one bank is in that particular situation. This would guarantee the carrying out of the minister's intention, as he has stated it on several occasions in the committee."

[Mr. Mackasey.]

The chairman of the banking committee went on to say, as recorded on this same page:

The hon. member for Verdun was referring to the standing committee. He is not present at this time, but I might say that if we should reach clause 53, subclause 4 today I would suggest an amendment. Perhaps the simplest thing would be to read it.

This is the amendment which the chairman of the banking committee was offering on my behalf. The amendment reads:

That Bill C-222, an act respecting banks and banking, be amended

(a) by striking out lines 9 to 11, inclusive, on page 32 of the bill, as reprinted, and by substituting therefor the following—

Mr. Lewis: May I interrupt the hon. member and ask him if he would be good enough to look at the bill to see whether this is exactly what he meant to say. It does not seem to fit lines 9 to 11 on page 32, but perhaps we are failing to see something.

Mr. Mackasey: No, it would be clause 53, page 32, subclause 4. I do not want to hold up the committee too long, but perhaps I could take a minute to check out the clause and make sure this is the one the hon. member has in mind. I might as well read it from the top of page 32:

(a) by striking out lines 9 to 11, inclusive, on page 32 of the bill, as reprinted, and by substituting therefor the following: "thereof",

(b) by any person if, at the time the share is subscribed for, the total number of shares of the capital stock of the bank have by such person and by other shareholders associated with him, if any, exceeds 10 per cent of the total number of the issued and outstanding shares of such stock; or

(c) except as otherwise provided in subsection (5), in other circumstances where if the subscription";

(d) by striking out line 19 on page 32 of the bill, as reprinted, and by substituting therefor the following:

"(5) Subject to paragraphs (a) and (b) of subsection"

• (3:30 p.m.)

The lawyers can work it out among themselves, but what this simply says is that if at the present time an individual or his associates own more than 10 per cent of the shares they will not be able to purchase any of the new shares issued.

I do not want to bore hon. members too much but at the same time I should like to quote the chairman of the banking committee as reported on page 14153 of *Hansard* of March 17. He went on to say:

Of course, it is not easy to follow this just by listening to it. One would have to have the bill

in front of him. The reason I ask that clause 33 stand is that if the suggested amendment to clause 53 should be adopted by the house it would be necessary to have an amendment to clause 33 (1) (d) which I might bring to the attention of the house at this time. The amendment will be as follows:

That Bill C-222, an act respecting banks and banking, be amended by striking out line 44 on page 20 of the bill, as reprinted, and by substituting therefor the following:

"reason of paragraph (a) or (b) of subsection (4) of".

I do not grasp the significance of the last amendment suggested by the chairman of the committee but I am sure it can be fitted into the amendment I have just suggested pertaining to clause 53.

Mr. Cameron (Nanaimo-Cowichan-The Islands): Mr. Chairman, I will take the hon. member's word that it can be fitted in here somewhere. I have no objection to his amendment but I wonder whether he quite realizes what he is doing. It may be an excellent idea but it does make fish of one shareholder and fowl of another. Suppose that a bank applies for an increase of up to 100 per cent of its authorized capital. Those are the terms which we have discussed for the Mercantile Bank. Is the hon. member for Verdun going to tell those who now hold 10 per cent of the existing capital are they cannot buy any more shares of the new issue and that they are limited to holding only 5 per cent but that a new shareholder coming in can buy 10 per cent of the whole lot? I have no objection to doing that—I have no particular love for bank shareholders—but this is obviously what will happen. This will create two classes of shareholders. The original shareholders will not be allowed to own 10 per cent of the shares. They will only be able to hold 5 per cent, or whatever may be the ratio.

Mr. Mackasey: I think the hon. member will understand that a shareholder will always be able to own up to 10 per cent of the shares. If the number of shares is doubled, there is nothing to prevent an individual from adding to his portfolio until such time as he owns 10 per cent of the particular banking interest. There are other banks in Canada in the same position. There is at least one bank where one individual owns more than 10 per cent of the shares as permitted under the act. This would apply as much to a particular shareholder as to the Mercantile Bank. So I can assure the hon. member that there is nothing here to prevent an individual in the United States or in Canada—this applies to everybody, regardless of where they live and what the bank is—from owning up to 10 per cent of the shares.

Mr. Otto: Mr. Chairman, I should like to put a question either to the "minister" of Nanaimo-Cowichan-The Islands or to the Minister of Finance on clause 53 with regard to the exact procedure that will be used in a particular situation which may very well arise. Shares of banks are listed and sold on the stock exchange. Owners of shares sell them from day to day. Let us suppose that at a particular time only 24 per cent of the shares of the Canadian Imperial Bank of Commerce are owned by foreigners and 10,000 shares are still available, and at one and the same time several buyers, some from the United States and some from England, buy 5,000 shares through the Montreal, Toronto or New York stock exchange. Only 5,000 shares are allowed to be transferred. Which 5,000 does the minister intend to authorize? Which of the individuals purchasing the shares will have good, valid shares?

Mr. Sharp: Mr. Chairman, this very difficult point was discussed at great length in the committee on finance, trade and economic affairs by Mr. Elderkin, who is sitting before me today. I will repeat the answer which he gave at that time. He said it would be a case of first come, first served. The responsibility would rest on the bank.

Mr. Otto: Nevertheless, as the minister knows very well, these shares could very well have been bought all at the same time and not necessarily transferred or even registered at the stock exchange at the same time. Has the minister given any thought to allowing the shares to be transferred directly over the counter in the office of the bank instead of being listed on the stock exchange? Buyers of the shares would then know whether or not the shares were transferable. An American buyer of shares might say, "I did not know those shares were not transferable". The question is: How will he get his money back from the vendor?

There is one more question I should like to put to the minister before I resume my seat. It is my understanding that options are not considered as ownership. In other words, an American can have an option to purchase 40 per cent of the shares of a Canadian bank from a Canadian resident. I think the minister knows very well that an option to purchase is tantamount to ownership, that it is possible to predict how the person who has the option will vote. How does the minister intend to deal with the question of options?

Mr. Sharp: Mr. Chairman, the answer to the first question posed by the hon. member is that he would get his money back by reselling the shares. The principle underlying the bill as far as ownership is concerned is dependent on registration, and that is within the power of the bank itself. Indeed, the bank is under an obligation not to register shares that exceed the limit set forth in the act. I agree with the hon. member that practical difficulties are involved. However, if it is our intention, as I believe it should be, to maintain Canadian ownership and control of our banking institutions, then this is an inescapable difficulty.

Mr. Otto: Mr. Chairman, the minister has not answered one question, namely, what would be the difficulty in buying the shares of the bank directly over the counter? Is there any particular difficulty other than that this would deprive the stock exchange of some transfer fees?

Mr. Sharp: We considered this problem at some length when these clauses were being drafted. We believe it would place too great a responsibility on the stock exchanges. The only workable method is to provide that the bank shall be responsible for the registration within the limits fixed in the bill.

Mr. Otto: Let me put it this way. If it is just a matter of the transfer of shares, let us suppose that an American buys 90 per cent of the shares of the Canadian Imperial Bank of Commerce and only 25 per cent are transferred. Would that not mean that the owner of the 25 per cent has absolute control of the bank?

Mr. Sharp: Mr. Chairman, as the hon. member knows, he cannot buy 25 per cent. The limitation under the act is 10 per cent for an individual. The test is "registered owner", and that is the only test that can be applied in our judgment. We have examined other alternatives. As I say, if we are to try in this bill, as we should, to maintain a Canadian banking system we shall have to face these difficulties which are very real. In due course people trading in Canadian bank stocks will understand the intention of parliament and will understand the limitations.

• (3:40 p.m.)

Mr. Mackasey: I now have in front of me a copy of the amendment which I wish to present on behalf of the chairman of the committee who has entered the chamber. The first amendment I have is to clause 53(4). I should like to place this first amendment on the table. I shall not deal with the other amendment until we have disposed of this first one.

Mr. Cameron (Nanaimo-Cowichan-The Islands): Mr. Chairman, I am rising on a point of order. It is impossible for us to understand this amendment unless we have it before us. There is no excuse for not having copies for the members of the committee.

Mr. Gray: I must take the responsibility for order, I quite agree with the hon. member for Nanaimo-Cowichan-The Islands. If we look at page 14152 of *Hansard* for March 17, 1967—

Mr. Cameron (Nanaimo-Cowichan-The Islands): I have done so. I hate to shatter my hon. friend's illusions, but that is as clear as mud. It is equally confusing.

Mr. Gray: I must take the responsibility for not being as clear as I ought to have been. The point is that the text of the amendment is reprinted verbatim in my remarks which, though not clear, cannot be faulted for not containing the text of the amendment. That being so I suggest to the hon. member that the amendment is available to every party spokesman and to every member of the committee because of this gratuitous situation.

Mr. Cameron (Nanaimo-Cowichan-The Islands): I should like the hon. member for Essex West to please explain to me how this fits in in the place in which it is supposed to fit because I do not think it fits.

Mr. Gray: I shall be glad to do so. Perhaps I might look at the amendment for a moment.

Turning to page 32 of the bill we see that lines 9 to 11 are to be struck out.

Mr. Cameron (Nanaimo-Cowichan-The Islands): "Subdivision thereof".

Mr. Gray: Line 9 reads "thereof, or". Line 10 reads: "(b) except as otherwise provided in subsection" and line 11 reads "(5), in circumstances where if the subscription".

Mr. Cameron (Nanaimo-Cowichan-The Islands): I should like the hon. member to read this. It says, "foreign state or any political subdivision," and then we knock out the "thereof" and continue with "except as otherwise provided".

Mr. Gray: If instead of reading the words "thereof, or" the hon. member reads in line 9 the word "thereof", the word "or" being eliminated, subclause 4(a) will stand as a whole. There will then be a new paragraph

(b) which brings into the act a new concept arising out of the useful suggestion made by the hon. member for Verdun in his speech of Thursday last. Then, following paragraph (b) there will be a new paragraph (c).

Mr. Cameron (Nanaimo-Cowichan-The Islands): Mr. Chairman, I do not want to be thought dumb but I still think that this amendment does what I suggested it does. It sets up two classes of shareholders. It says in part:

—held by such person and by other shareholders associated with him, if any, exceeds 10 per cent of the total number of the issued and outstanding shares of such stock;

Surely this must refer to the period before the extension of the authorized capital. Those must be the shares actually issued and outstanding at the time the governor in council is to authorize the expansion of capital. In effect you are saying that the original shareholders will have their percentage of shareholdings diluted. If you double the capitalization they will be allowed to have only 5 per cent of the total but the new shareholder coming in can have 10 per cent.

Mr. Sharp: I draw the attention of the hon. member for Nanaimo-Cowichan-The Islands to lines 15, 16, 17 and 18.

Mr. Gray: If I can supplement the remark of the minister I suggest that the point raised by the hon. member for Nanaimo-Cowichan-The Islands is taken care of by the last four lines. It makes the restriction apply only to the extent that the person referred to in the clause has holdings in excess of the total outstanding issued shares of the stock. Otherwise the hon. member has a good point.

Mr. Mackasey: I apologize to the hon. member for not having copies of the amendment. Copies are now available and will be distributed. I want to assure the hon. member, and I say this sincerely, that we welcome his thinking on the matter and we want to see if there are flaws in the amendment. The spirit behind my amendment is that anybody who owns more than 10 per cent of the shares of any of our Canadian chartered banks would be prohibited from adding to his holdings. I use the word "his" as applying to the individual and his associates as defined in the bill. It is not intended to apply to shares in the Mercantile Bank more than to shares in any other bank. Let us say a person holds 8 per cent of the shares of the Bank of Montreal. If at some future date the Bank of Montreal were to decide to increase its share capital and obtained permission to do so, such a person would not be able to increase his holdings beyond 10 per cent of the share capital including, of course, the new shares.

• (3:50 p.m.)

This provision would in no way affect the clause in the bill which states that not more than 25 per cent of the shares of a bank can be owned outside the country. Provided the percentage in aggregate is less than 25, there is nothing to prevent non-residents from acquiring shares. But the amendment would prohibit all persons, whether resident or non-resident, from acquiring further shares if they already owned 10 per cent of the shares of a bank.

Mr. Cameron (Nanaimo-Cowichan-The Islands): I have no quarrel with the spirit of this amendment or the intention behind it. But in legislation it is the words which are important, not the spirit behind them, and it is for this reason that I should like to have the wording cleared up. I will not press the matter unduly because I do not bother about bank shareholders to any great extent, but I do like to see a little logic in our legislation.

Mr. Sharp: Perhaps I might say a word for clarification. I have examined the proposed amendment and so has Mr. Elderkin who is sitting in front of me. As far as we can see, and I have more confidence in Mr. Elderkin's judgment than in my own, the amendment does in fact carry out the intent of the hon. member for Verdun.

Mr. Monteith: Would this amendment have the effect of preventing anyone taking up warrants if he already owned 10 per cent?

Mr. Sharp: I am advised that warrants could only be taken up provided they did not bring the shareholder beyond the limitation in the bill. No one who already owns more than 10 per cent could take up any more shares.

Mr. Monteith: Suppose shareholders own 10 per cent even can they then take up their warrants?

Mr. Sharp: Oh, yes, they can maintain the 10 per cent level, certainly.

Mr. Monteith: Under this present amendment?

Mr. Sharp: Yes.

Amendment agreed to.

Clause as amended agreed to.

Mr. Sharp: Could we refer to clause 33 which was allowed to stand so as to make a consequential amendment?

The Chairman: Does the committee agree to revert to clause 33?

Some hon. Members: Agreed.

On clause 33—*Offer of shares of capital stock.*

Mr. Mackasey: Again, as the chairman of the banking committee is present I would prefer him to deal with this matter in view of his greater experience and knowledge of the Bank Act. The reason I am talking at this moment rather than doing something more concrete and beneficial is that, having in mind the very logical suggestion that members should be provided with copies of the amendments, I have asked that photostats be made of the amendment I am proposing to this clause. I do not know whether they have yet reached the table. Perhaps I could borrow one in order to read it. Again I beg the indulgence of the committee and express the hope that the chairman of the banking committee will give the legal explanation. Obviously clause 33(1)(d) should be amended so as to make the amendment we have just accepted logical. I therefore propose the following amendment:

That Bill C-222 be amended by striking out line 44 on page 20 of the bill, as reprinted, and by substituting therefor the following:

"reason of paragraph (a) or (b) of subsection (4) of".

I know this sounds jumbled but if hon. members will look at clause 33 they will see that it fits.

Amendment agreed to.

Clause as amended agreed to.

The Chairman: The committee will now proceed to clause 54 to be found on page 33 of the reprinted bill.

Clauses 54 to 57 inclusive agreed to.

The Chairman: The committee will now proceed to clause 75.

Mr. Monteith: I wonder if I might make a suggestion at this point. A formidable task still seems to lie ahead of us. The clauses I am about to mention have been "cleared" with the other parties in the house by my hon. friend from Edmonton West. I believe they are non-controversial in every respect. The list does not include clauses 75, 88 and 91. It occurs to me that the following clauses might well be moved en bloc without discussion: 103, 106, 117, 122, 124, 137, 138, 139 150 and 157. Schedules M, N, O, P and Q might also be put to the committee at the same time. I believe this might save some time.

• (4:00 p.m.)

The Chairman: Is it agreed?

Some hon. Members: Agreed.

The Chairman: Then by unanimous consent the clauses as mentioned in the motion are declared to be carried.

On clause 75—*Business and powers of bank.*

Mr. Horner (Acadia): Mr. Chairman, would the minister comment on how this clause affects the establishment of a new bank in Canada, and in particular its effect on the take-over of the Mercantile Bank by the First National City Bank of New York? Last night the minister and I dealt with this subject at some length, and as a result of what the minister said I received the impression that if a person wanted to establish a new bank the bulk of the shares must be owned by men of good financial management capability in order to get the bank off the ground.

In fact the minister said he found no fault with the B.I.F. group owning 53 per cent of the stock of the Bank of Western Canada, and no fault with a bank such as Mercantile being taken over by a United States bank. As a result I must conclude that whenever a new charter is granted it must be done under special privilege. The Bank of Western Canada was granted ten years in which to distribute its stock and the Mercantile Bank was given five years to do likewise. Does the establishment of a new bank require special privilege or a special amendment or special legislation?

Mr. Sharp: Mr. Chairman, there are two separate questions involved here. One of them has to do with the establishment of a new bank and the conditions that may be laid down as to the distribution of shares. I do not know whether it will be possible in this country to begin a bank with a sufficient number of shareholders each of whom does not have more than 10 per cent of the shares at the outset. I could conceive theoretically of circumstances in which a sufficient number of original subscribers were found who could get together with sufficient capital to establish a new bank and that, of course, is the ideal. However, I think it more likely that a group of entrepreneurs could be found who could

put up the necessary amount of capital and who would be prepared to undertake the original risks of organization, and that they should be encouraged to do so and should be given an opportunity, after the establishment of the bank, of distributing the shares more widely in order to comply with the requirement in the legislation that hereafter no one shall own more than 10 per cent of the shares of a bank.

In the case of the Bank of Western Canada that is what happened. A group of financial people got together, applied for a charter which was granted by this parliament and then applied for a certificate to begin operations. They asked for a reasonable time in order to distribute the shares more widely. Treasury Board felt this was a reasonable request and granted ten years within which the original subscribers should distribute the shares more widely among a larger group, none of whom would own more than 10 per cent.

The Bank of Western Canada, however, which does have a single shareholder with more than 25 per cent, is just as much subject to clause 75(2)(g) of the bill as is the Mercantile Bank. There are two separate questions here. One has to do with the distribution of shares and the second has to do with the restrictions placed on any bank so long as one shareholder owns more than 25 per cent. In other words, the restriction contained in clause 75(2)(g) is not directed against foreigners. It is directed against any bank which has a single or associated group of shareholders owning more than 25 per cent. It is not directed specifically against the Mercantile Bank. It is equally applicable at the present time to the Bank of Western Canada.

Mr. Horner (Acadia): Is it possible to establish definitely that a holding of 53 per cent has been reduced to 10 per cent? In other words, can one follow the shares closely enough over a ten year period to establish that individual holdings have been reduced to 10 per cent?

I have a second question concerning the amalgamation of banks. We have seen bank amalgamations take place over the years and we can expect such amalgamations in the future. There were two major amalgamations recently. Yet the Porter royal commission recommends greater competition in banking. It is logical that the more bank charters there are in force the greater will be the competition. I give one example, using a hypothetical case. It is conceivable that the Royal Bank might buy out the Bank of Western Canada or buy a controlling interest in it. Would this clause with its 25 per cent provision affect amalgamations, and will the minister give his views on amalgamations generally?

Mr. Sharp: With respect to the first question, a bank has to take declarations from the shareholders as to their holdings. The responsibility is laid upon the bank to observe the limitations on share ownership.

With respect to the second question, a bank requires my approval in order to offer to enter into an agreement with another bank. The amalgamation cannot take place without the approval of the government. So I believe there are as many safeguards as possible unless one were to have a complete prohibition, and I doubt the wisdom of that. Short of that, the government has complete control over future amalgamations. It would be impossible for an amalgamation to be effected in any way without the permission and knowledge of the government.

• (4:10 p.m.)

Mr. Nasserden: Is there anything in this legislation which would prevent the amalgamation of the Mercantile Bank with a Canadian bank?

Mr. Sharp: I should like to remind the hon. member that the Mercantile Bank is a Canadian bank. As I have said, there is sufficient power within this legislation to prevent the amalgamation of the Mercantile Bank with any other bank or the Bank of Western Canada with any other bank. The permission of the minister would be required in order to begin negotiation and the approval of the governor in council would be required to consummate the amalgamations.

Mr. Monteith: Does the government contemplate moving any amendments to this clause?

Mr. Sharp: I do not have in mind any amendments, although I understand from the discussion which has gone on that some questions have been raised which may emerge in due course. If views are put forward on this question, I have an open mind.

Mr. Klein: Mr. Chairman, I have an amendment which I wish to move in respect of this clause. When I spoke on Friday I mentioned the fact that there was concern about whether the five year period was an equitable one, whether it was too short or too long. I believe

we ought to avoid having to face on December 31, 1972, a situation similar to the one we have recently experienced. The right of the Mercantile Bank to do business and to improve its position during the five years should be respected. It may be that at the end of the five year period the shares may be worth a great deal of money. As the hon. member for Acadia said yesterday, if suddenly the bank were obliged to comply with the law, the shares would be worth considerably less or the bank would not be in a position to find buyers.

I believe there should be provision for consultation between the Mercantile Bank and the superintendent of banks. This consultation should be periodic and should be carried on in good faith. It might well be that in the course of the discussions, as proposed by the amendment, the time limit might perhaps be found to be too short, in which case the superintendent of banks would be in a position to report to the government that more time was required. Should the time elapse, this would place the Mercantile Bank in a very serious position. On the other hand, there would be an opportunity for the government to learn at first hand from time to time what progress was being made in respect of compliance by the bank with the law. Therefore I propose the following amendment:

That Bill C-222, An Act respecting Banks and Banking, be amended by striking out line 43 on page 53 of the Bill, as reprinted, and by substituting therefor the following:

"1967, or after such later day, not being a day later than the 31st day of December, 1972, as may be prescribed from time to time by the Governor in Council, have outstanding total liabilities (in-"

The Acting Chairman (Mr. Richard): I understand that the hon. member for Cartier has made available to the different parties copies of the proposed amendment.

Mr. Diefenbaker: Mr. Chairman, I had intended to speak at some length on clause 75(2)(g), but in view of the general agreement on the part of members and the arrangements which have been made to expedite debate I shall restrain my desire to outline in considerable detail the unusual peregrinations of the government in its retreat in connection with the Mercantile Bank. I doubt that in the history of our country there has been the equal of the sinuous course taken by the government in connection with this matter.

Finally, after having been assured in this house only a few weeks ago by the Prime Minister that there would be no retreat from the stand taken, the government swallowed its words and knuckled down to the demands of United States financiers in the persons of the Rockefellers. Indeed, so successful has Mr. Rockefeller been that he is now advising Canadians on other economic matters. In particular he is suggesting that we should establish between Canada and the United States free trade along the lines of the auto agreement which agreement has revealed already, as I pointed out it would, that Canadians are suffering as a result of the action taken by this government in bringing about the agreement.

Let us review what has happened. I am glad the Minister without Portfolio—the former minister of finance—is here, because he has made a study of this subject unequalled by that of any other member of the house. Indeed, when he was head of a royal commission in the 1950's he dealt at length with the need to preserve in Canada the ownership of banking institutions operating in this nation.

• (4:20 p.m.)

Let us go back to July of 1966 when the present Minister of Finance, the anointed saviour of right wing Liberalism, decided to leave the former minister in a most unenviable position. He abandoned the principles that were enunciated by the former minister and he ignored the pious declarations of the Prime Minister and other members of the government that the government of Canada was going to take a strong stand in connection with the Mercantile Bank.

In July the announcement was made that the First National City Bank of New York would be required to divest itself of 75 per cent of its interest in the Mercantile Bank within 18 months, and reverse its ownership by issuing new shares or be subject to having its growth restricted by proposed changes in the Bank Act. The Minister of Finance planned to restrict the ownership of bank stock by an individual to 10 per cent. This provision was to apply also to the Mercantile Bank. The penalty for failure of the First National Bank to comply with the directions of the government of Canada was to be the same as that contained in the proposals of his predecessor in office. The Mercantile Bank's growth would be restricted to 20 times its authorized capital. All through the succeeding months the government stood firm. Fears were expressed that it would not stand firm because, after all, the record throughout the period of office of the present administration has been one of declaration, expounding.

determination and retreat. That has been its course through the years. The Prime Minister said when I faced him with this situation—I could give chapter and verse but I do not want to speak at length on this occasion—that the government would not retreat. Ever since then it has been running away from its commitments.

Mr. Sharp: That is just a bit of fiction.

Mr. Diefenbaker: The minister says the government has not retreated. I should like him to explain the difference between a retreat and a strategic postponement. First the government went its way and then the Gordon way. Then it went both ways and then it met itself coming back. To continue the analogy, the government got there before it left and returned before it arrived. What a performance this has been. Never before has this nation witnessed a greater conglomeration of insipidity—declarations, determination and retreat.

Let me now read from a book written by the Minister without Portfolio. It states on the cover:

> What is Canada's political and economic future? The author examines the role that Canada should play in shaping her own destiny.

The book in entitled "A Choice for Canada". I know the Minister of Finance has read this book because he told me on one occasion in the course of cross-fire about the benefit he had derived through reading it. Let us see what is said in this book by the former minister of finance, that man who has such wide knowledge that he used to take bankrupt corporations and turn them into corporations that were more bankrupt than when he started. That is what he did. I could give a perfect example of that but I do not intend to divert from setting forth fully what I have in mind.

Let me quote from page 94 of this book. This is what was written by the minister:

> I said the same sort of thing nearly five years before that in a speech entitled, "Whither Canada —Satellite or independent nation?" This was severely criticized at the time—

Let me skip a paragraph or two. The following was written:

> Amendments to the legislation governing federally incorporated insurance, trust, and loan companies in the fall of 1964 provided for their continued control in Canada. It was announced at the same time that similar amendments would be included in the revision of the Bank Act and made retroactive to the date of the announcement. Just prior to this, the president of the First National City Bank of New York came to Ottawa to inquire whether the government would be favourable to his bank acquiring the Mercantile Bank of Canada from Dutch interests. He said no commitment had been entered into, pending information about the views of the Canadian government. He was informed that the government would not look favourably upon such a transaction because, inevitably, it would lead to requests from other United States banks for opportunities to enter Canada in other ways. The Canadian government wished to avoid this.
>
> The president of the First National City Bank said he presumed that, if his bank went ahead with the transaction against the wishes of the Canadian government, it would do so at its peril.

When the minister says that I believe him because no matter how one may disagree with some of his ideas the statements of fact he has made in the house have invariably been unchallenged. I can pay no greater tribute to him than to say that is his reputation. When he says he advised that if they went ahead against the wishes of the Canadian government they would do so at their peril, I believe him. In reference to the president of the First National City Bank the minister wrote:

> He was advised not to proceed until the coming amendments to the Bank Act were made public. He was warned that, as his bank had no commitment to buy the shares in question, the government would feel quite justified in proposing amendments that would be retroactive in their application. Nevertheless, the First National City Bank of New York proceeded to acquire the shares of the Mercantile Bank, contrary to the wishes of the Canadian government and despite the warning given.

Nothing could be clearer than that. He then wrote:

> The revision of the Bank Act, announced in May of 1965, provided for the renewal of the charter of the Mercantile Bank of Canada but placed limitations upon its future growth. Immediately, the government was subjected to heavy pressure to remove this limitation.
>
> This incident is mentioned to illustrate how Canadian governments are sometimes regarded by private foreign interests. A strong stand is necessary if the government is to make its decisions stick and if Canada is to retain her independence.

• (4:30 p.m.)

Those are strong words. He and the government were subject to pressure. What was the pressure? He is in the house, and I know he yearns for the opportunity of placing before the house and the country his knowledge of what took place. This government made its stand; it decided what it was going to do. It reversed Mr. Gordon in part. I refer to the Minister without Portfolio as Mr. Gordon because it is difficult to refer to "the Minister without Portfolio" and be certain that one is identifying him. What happened? The government made a change, but that change was

going to be final. Then a few weeks ago the government swallowed itself. I wonder why. Where was the heavy pressure against the government? The minister has never given any information in that connection.

Was it pressure from the United States government? Did the American administration decide that it was going to determine the course Canada was going to take? I remember that in 1962, during the election of that year, the Minister without Portfolio and other members of the government were not averse to receiving assistance from the United States. There was assistance in the way of manpower and also the expectation of financial assistance in order to defeat the government I had the honour to lead because we dared to take a stand on nuclear weapons contrary to the wishes of the United States administration.

Some hon. Members: Hear, hear.

Mr. Diefenbaker: The Minister without Portfolio will recall the gentleman from Washington who with the approval, indeed with the activation of the administration of the United States came to Canada to show the Liberal party how to win an election because Canada had dared to take a stand that was not acceptable to the American administration.

I would like to hear the Minister without Portfolio tell us the story of the meetings with Mr. Harris at the Royal York hotel in Toronto and all the contributions that were made by the Americans to help the Liberal party. I would like to hear about that. Then American assistance for the Liberal party was not only acceptable but warmly welcomed. What happened? We wonder who exerted the pressure to bring about the last change that resulted in the bill that is now before us and in particular the clause to which I am referring and the revised version in the amendment of the hon. member for Cartier. I must say to him that as he produced that amendment he brought a smile of pensive approval to the countenance of the Minister of Finance. This amendment was going to be just a little thing and would help out. It has all the appearances of directed spontaneity. It was a beautiful piece of work—so obvious, so transparent. This amendment would bring about a situation that might command the support of the Minister without Portfolio and others who are associated with him in their particular economic views.

What happened in Washington? I recall in 1962 and 1963 that the trouble with the Diefenbaker administration was, they said, that it could not get along with Washington. The Liberal party embraced the assistance, as direct as possible, received from Washington. In the city of Ottawa the American ambassador had his staff meet with the press of Canada for the purpose of showing them, in connection with nuclear weapons, how politically vulnerable the Canadian government was and the means that should be taken by the press to undermine that government because the United States disliked the stand we had taken. That stand is being followed today. That which was heresy is now accepted internationally.

How wonderful the new heaven and earth were going to be. Revelations never produced an equal of the description. Relations were going to be so nice. I need not tell the committee that when the Prime Minister of Canada went to Washington he was treated with about the same consideration by the president as his two dogs were except that he was not lifted by his ears. Only the other day one of the leading exponents of Liberalism in the press gallery stated that the relations were somewhat strained and that when the Prime Minister went to Washington he was kept sitting around cooling his heels while the president was telephoning for an hour or more. What a strange transition. What a metamorphosis has taken place. Those who had the magic means of bringing about good relations with the United States find themselves in a position where pressure pays off. Only in the last few days a book has been published in the United States. It is referred to in a Canadian Press article by Arch MacKenzie. The article says:

> A "Mike Pearson massage file" was set up at the White House after President Johnson became indignant about the Canadian Prime Minister's 1965 proposal for a North Vietnamese bombing pause—

Then it says:

> —the purpose of the file was to "hold friendly communications which had been sent to Ottawa over the president's name without being seen by him."

As I have said, the file is called the "massage file." Apparently they have two methods. They have a massage at one end and a massage at the other end whereby they kick the Canadian government around and get their results. Let us consider this article, because the book is not yet in the library and I know

the Minister of Finance always reads the books I suggest to him.

Mr. Sharp: Perhaps I have already read them.

Mr. Diefenbaker: The article then says:

Possibly it was intended to "massage" or soothe Pearson's feelings.

Then it says:

"Relations between Washington and Ottawa became frosty . . .

"White House aides, looking for a turn in the president's mood, began keeping a 'Mike Pearson massage file.' "

• (4:40 p.m.)

What a change. Those who had the answers said we should not stand up to the United States and contend that Canadian policies would be made in Canada by Canadians. This was wrong. I have a great deal of material before me but all I am going to do is summarize it. There is a reference to the "massage file". I know that the Minister of Finance is a master of the art of massage because anyone who can take the Minister without Portfolio and others associated with him and massage them down to accept the present amendment has qualities that are possessed by few. How did he line them up? There is the Minister without Portfolio who is today supporting the government in doing that which he condemned. He wrote a book about it. What happened? Why did the government retreat? We will never know. Was it massage that brought it about or was it forceful denunciation? Whatever it was, they wavered. The government of Canada has bowed to the demands of the United States on a matter that is basic to Canada according to the Prime Minister, the Minister without Portfolio and other ministers.

I see over there the courier, the hon. member for Verdun. They tell me it was his masterly "message to Garcia" which brought about the acceptance by the United States, and in consequence he is about to be elevated to that sphere which all desire to attain. Yesterday the other Minister without Portfolio announced, in a most unusual way, that the hon. member for Verdun was about to be made a member of the cabinet. I am the first to congratulate the hon. member for Verdun because I know that with his eloquence, with the powers of persuasion which he exercised with such consummate skill in New York when everything else failed, all will be well.

Speaking seriously, and I am now speaking seriously, I say to the government, you have retreated. You have swallowed yourselves. You have made a joke of Canada. You took a stand, then you turned one somersault. That was not sufficient so you turned a second one. Now you have put the legislation in cold storage for five years. A few moments ago the hon. member for Cartier decided that five years might be five years too short and he is adding a tail. I can just imagine Rockefeller laughing to himself. "I came, I saw and we conquered", that is the attitude of the Rockefellers today. They take Canada and determine the course of Canada through a government which apparently responds to treatment whether it be massage or condemnation.

In view of this clause I say quite frankly that this bill ought not to have the support of the house. This is one of the clauses to which the strongest possible objection can be taken. Surely, sir, parliament is not going to be asked to be the cat's paw of a government that, having declared in the loudest, clearest terms through the lips of the Prime Minister there would be no retreat, has retreated. To accept this clause in its present form is to admit that this nation is not sovereign but is subject to the control, to the domination of the United States. Indeed, I go back to the immortal words of the Minister without Portfolio: Being subjected to heavy pressure, Canada cannot afford to be placed in the category that too often smaller countries have been placed in, of having their policies determined, not within their own country but outside.

Mr. Sharp: We can always depend on the right hon. Leader of the Opposition, Mr. Chairman, for an entertaining hour or so and he has certainly not disappointed us on this occasion. He appears, however, to have his facts a little mixed. Perhaps the least I can do is to set the record straight. The hon. gentleman is attempting to create quite a false impression of the course of events. When the present senior Minister without Portfolio was minister of finance he brought before this house a bill to amend the Bank Act. Included in that bill was clause 75(2)(g) exactly in the form as I introduced it in 1966. That clause was to the effect that any bank with an individual shareholding of more than 25 per cent would not be permitted to have liabilities in excess of 20 times the authorized capital after December 31, 1967. Neither in the bill introduced by my distinguished predecessor in office nor in the bill introduced by me was

any change made in any of the other provisions relating to the authorized capital of a bank. In all of those respects, the bills were identical.

The committee on finance, trade and economic affairs recommended two important changes. Here I should like to give credit to the committee once again for the very thorough way in which they examined this bill and for the many very useful improvements, some of which were recommended by me or by Mr. Elderkin on my behalf while others were made by the committee itself. One of the most important changes made by the committee was to strengthen this bill in so far as it related to a bank in the position of Mercantile Bank. This amendment prohibits any bank, subject to the restrictions included in clause 75(2)(g), from selling shares to non-residents. This was a very important amendment. As the bill was introduced in 1965 and 1966, shares could have been sold to non-residents as well as residents.

If this recommendation is accepted, and it is now in the bill as reported by the committee, the Mercantile Bank can only escape from the restriction on the ratio of its liabilities to its authorized capital if 75 per cent of the shares of the bank are acquired by Canadian residents. This is a very important and I believe a very useful improvement in the bill.

• (4:50 p.m.)

I now come to the second main recommendation of the committee, and I refer the house to the evidence of the standing committee on finance, trade and economic affairs of February 22, 1967, when I appeared to discuss clause 75. At that time I read to the committee two messages from the Mercantile Bank. I will read them into the record so that we can have a ready reference. The first message was from Vancouver, dated February 14 and addressed to me. It reads as follows:

> As there appear to have been some conflicting reports about the position of our bank regarding the current revision of the Bank Act, we would like to make the record clear. Being a legally constituted Canadian chartered bank since 1953, we of course have been and are now subject to and governed by Canadian law. Any increase in our authorized capital is subject to the control of appropriate Canadian authorities. At the present time it would be inappropriate to offer shares in the bank to the investing public as some years are needed to build profitability. We would appreciate a period of time to accomplish this work. If the proposed special ratio of liabilities to authorized capital becomes the law, this time is needed. We will give consideration to making shares available to Canadian residents when it is appropriate to do so.

[Mr. Sharp.]

I now read into the record another message I received that day, February 22:

> We are pleased to confirm our intent to seek share participation by Canadian residents when it is appropriate to make an attractive offering.

Both of these telegrams were signed by Stewart B. Clifford, general manager of the Mercantile Bank of Canada.

The committee discussed these telegrams at some length, and in order to avoid putting the whole of the discussion on the record, although it is very interesting and sheds a somewhat different light on the situation from that which has been suggested to us by the right hon. Leader of the Opposition, I might quote the following excerpts. I was asked the following question by the hon. member for Regina City:

> If I may put a supplementary question to the minister, does he consider this to be a reasonable request to meet the situation, so that the committee may have some basis for consideration?

To which I answered:

> Yes; I believe it is not an unreasonable request. It is very difficult to have a judgment.
>
> I am so interested in having the Mercantile Bank become a Canadian bank that I hesitate to put any unnecessary road blocks in the way. If the extension of a few years would enable them to market their shares successfully to Canadians, then I say, from a Canadian's point of view, that I think this would be a reasonable thing to do.

The chairman then asked the hon. member for Edmonton West whether he had any further questions to ask. The hon. member for Edmonton West said the following, as recorded at page 3492 of the proceedings:

> —I am glad to see the minister's attitude, and that of others, which is to let the Mercantile people get themselves back into reasonable shape, or at least of giving them a chance to get into reasonable shape to dispose of their shares. I think it would be an absolute death sentence for this organization if we insisted on the legislation as it now stands, without a further amendment providing for at least five years and a chance to operate in a very competitive market. I am going to limit what I say to that. As I said, I do not agree with the principle of the legislation.

As members of the committee who are present here know, the hon. member for Verdun, at the invitation of the chairman, then moved an amendment which is now the present version of clause 75 (2) (g) as it appears in the committee's evidence. It was seconded by the hon. member for Nanaimo-Cowichan-The Islands, and all members of the committee, including some of the supporters of the right hon. gentleman, unanimously agreed that this was a reasonable change.

These are the facts, and I thought that at this point I should at least put the record straight.

Mr. Diefenbaker: Will the minister produce the United States note or notes of condemnation of the action of his government relating to the proposed legislation respecting the Mercantile Bank? Will he admit that the United States government took strong objection and condemned the government of Canada for this action, and will he table these notes?

Mr. Sharp: Mr. Chairman, the best answer I can give is to say that one of the most notable things that happened in the committee was the complete reversal of the position of the Mercantile Bank because the government of this country did not give way to pressure from any source.

Mr. Diefenbaker: Mr. Chairman, I ask the minister now whether he will answer my question instead of indulging in his customary evasive non sequiturs. Did the United States government not offer the strongest objection to the intended legislation regarding the Mercantile Bank? Did not the ambassador, Mr. Butterworth, who supported the Liberal party in 1962 and 1963, express strong objection? I ask the minister that simple question. It cannot be answered by recounting what the committee did.

Mr. Sharp: I did not think I was being irrelevant. I was simply putting the record straight. I can assure the right hon. gentleman that the United States did make representations to us on this subject. This was stated by the Secretary of State for External Affairs and I think I said it on the same occasion. However, we did not in any way give way to any pressure from the United States and, if I may say so, what the right hon. gentleman is doing is to accuse his own members on the committee of knuckling under to that pressure, and I do not think they did.

Mr. Diefenbaker: No, it is the government that knuckled under.

Mr. Martin (Essex East): May I ask the hon. gentleman a question? Would he not like to modify or withdraw his statement about the representative of another country in Canada being identified with a political party, because I think it is a reflection both on the ambassador and on his country, something which I know my right hon. friend would not in any way want to do?

Mr. Diefenbaker: Mr. Chairman, that question indicates that no one should ask about matters being debated when he has not been here and has not listened. The minister wandered in at this moment and decided he would propel himself into the discussion. What I said was that in 1963 the ambassador of the United States and those connected with him briefed members of the press of Canada as to the means whereby they could attack the government of the day. If he does not accept that, will he look up the statements made by a very distinguished member of the press gallery who in a national radio and television broadcast admitted there had been such a briefing. The minister usually speaks after reflection. Today he departed from his custom.

Mr. Martin (Essex East): I am aware of the alleged briefing in question. I do not know whether it took place. However, that is not the statement to which I take exception. My right hon. friend said that there was a link between the ambassador and a political party in this country. As Secretary of State for External Affairs it is my duty to defend the heads of missions in this country in the absence of evidence to the contrary. I regard this statement as a reflection on the United States ambassador to Canada. I know this is a reflection which my right hon. friend, with his great experience, would not want to persist in casting.

Mr. Diefenbaker: I will not be diverted by rataplans. I make this very clear, that I believe the administration of the United States participated actively through its agents in Canada in the elections of 1962 and 1963, and no amount of subterfuge or smokescreen on the part of the minister can convince us otherwise.

Mr. Martin (Essex East): Mr. Chairman, the fact that the right hon. gentleman makes a statement does not necessarily establish the validity of that statement.

Some hon. Members: Oh, oh.

Mr. Martin (Essex East): An argument which is made by assertion, as my right hon. friend himself has often pointed out, is often the weakest kind of argument. The right hon. gentleman has made an assertion in respect of a matter of the greatest

delicacy and importance and involving our relations with a friendly country. I do not propose to sit by and listen to so baseless a charge made against my party, with all the implications it contains. In the last election and in other elections the Liberal party conducted its own case under its own program and under its own leader without influence from any country, without influence from any other party, but with the great support of the Canadian people.

• (5:00 p.m.)

Some hon. Members: Hear, hear.

Mr. Diefenbaker: I will simply say that if there is a prize for fiction this year the hon. gentleman should receive it.

Mr. Scott (Danforth): Mr. Chairman, I had not intended to take part in this discussion. I listened with a great deal of interest to the speech made by the Leader of the Opposition. All of us in this house are aware of the precision with which he documents his arguments. It seems to me he has raised a serious and fundamental charge drawing attention to the apparent deep-seated division between the views of the Minister of Finance and those of the Minister without Portfolio, the hon. member for Davenport.

This is a division which has been widely discussed throughout Canada. The Minister without Portfolio is spending a good deal of his time going all over the country and making eloquent speeches about the need to preserve Canadian sovereignty. Today the Leader of the Opposition has pinpointed with devastating accuracy the nature of the division between these two individuals and, as a consequence, within the government. I do not see how we can allow this bill to pass unless the Minister without Portfolio is prepared to rise in this committee and say the things he is saying outside it.

Mr. Otto: Mr. Chairman, I will be very brief. I cannot help admitting I was very disappointed to see the Leader of the Opposition turning his back, as it were, on principles which I have hitherto admired and training his guns upon the government over an issue which really does not matter. If there is one thing I admired about the right hon. gentleman it is that he has always stood up against the establishment. He is the man who fought against the elite, the mandarin class, and no one can deny he made his presence felt.

But here we find the right hon. gentleman defending the Bay Street boys against the Wall Street boys. In reality that is all this amounts to. What have the people of Canada got to do with banks? Are they shareholders? Their only connection with them is when they are refused loans. The right hon. gentleman would have done better to concentrate on subclause 2, paragraph (e), which says:

(2) Except as authorized by or under this Act, the bank shall not, directly or indirectly,

(e) lend money or make advances in a principal amount exceeding five per cent of its paid-up capital to a director of the bank or to any firm or corporation of which a director or the general manager of the bank is a member or shareholder without the consent of two-thirds of the directors present at a regular meeting of the board or a meeting of the board specially called for the purpose;

This is the essential point, in my opinion. The establishment, the elite, the directors, all belong to this family compact. Can anyone deny that the family compact is more powerful today than it was 130 years ago? The members of this establishment control 85 per cent of our industry in Canada. This is the enemy. Can the right hon. gentleman tell me why he is giving up his fight against the Canadian establishment, why he has now embraced that establishment while purporting to pick a political quarrel with this government?

Mr. Cameron (Nanaimo-Cowichan-The Islands): Mr. Chairman, I do not want to delay the committee too long, but I came in while the Leader of the Opposition was in full oratorical flight. I always enjoy the speeches of the Leader of the Opposition when he is in full flight and I was particularly interested in this instance because, as the Minister of Finance has revealed—I suppose most people knew it—I seconded the motion which was proposed by the hon. member for Verdun. As I suggested when I spoke a few days ago, I did so with somewhat mixed motives. It is not very often that one can do what one thinks is the right and sensible thing while also deriving some fringe benefits. The fringe benefit I anticipated was the discord within the Liberal party which I thought might be stimulated if this particular motion were passed.

On the other hand—and I address myself now to the Leader of the Opposition—we have to face some realities in these matters. I gather he has adopted the same position, an irresponsible one in my view, as was adopted by the former minister of finance, the present Minister without Portfolio, who was prepared to leave this bank in a strait-jacket as a potential cause of future trouble between ourselves and our United States neighbours.

One would have to be very naïve not to believe that the pressures to which the right hon. gentleman has referred would be intensified if we left the bank in its present anomalous position. There was one sensible solution which I proposed in the committee and in the committee of the whole. It was rejected by the government and to the best of my recollection it obtained no support from the members of the party led by the right hon. gentleman. I proposed the only sensible solution to this problem created by the presence of a foreign-owned bank in Canada, which was that the government of Canada should make an offer to the Rockefeller interests for their shares in Mercantile. Mr. Rockefeller told us he had nothing of value to sell, and it occurred to me that this was an opportunity to do him a good turn by relieving him of his valueless property. But that solution was rejected by the government and it was rejected, I gather, by members of the party on my right.

To return to the points raised by my hon. friend from Danforth, I suggested when I spoke earlier that the people of Canada are entitled to know just what is the position taken on this question by the former minister of finance who has expressed himself so forcibly with regard to the presence in Canada of a foreign-owned financial institution and who since this move was made has continued to speak all across the country, as hon. friend has pointed out, warning us of the dangers inherent in United States ownership. I think it is time the former minister of finance got up in this house to tell us that he agrees with the irresponsible position outlined in the bill as he originally presented it to the house, leaving the problem of the Mercantile Bank unsolved in order to create future trouble with our United States neighbours. I suggest we have much more important problems to discuss with them in the near future.

• (5:10 p.m.)

I am sure the Minister of Manpower and Immigration will agree with me on that point. We should clear out of the way these irritating and exasperating things such as the Mercantile Bank matter. Of course, the best way to do it is the way that has been rejected. The only other course is to accept the amendment moved by the hon. member for Verdun and seconded by myself in the committee, as I said, with some misgivings because I have very grave misgivings about the future conduct of the Rockefeller interests of New York.

I hope the Minister of Finance is prepared to make sure that the Rockefeller interests will divest themselves of their shares in the Mercantile Bank within the five year period. I do not quite know how he is going to do it. So far he has not been able to tell us how he is going to do it. He can only express a hope that they will agree with the policy of the Canadian government.

I conclude by saying that I think the Canadian people and this parliament should know the position of a member of the Liberal cabinet who, up until quite recently, vigorously opposed the action taken by the standing committee and which is now being presented to the committee of the whole.

Mr. Mackasey: Mr. Chairman, I rise to thank the Leader of the Opposition for taking such a great interest in the affairs of the Irish community. Had I known he was that interested in what transpires in our community in Montreal I would certainly have invited him and, God willing we are both here on March 17, 1968, I shall invite the right hon. gentleman to Montreal to attend the various functions, to march in the parade, take his place on the reviewing stand and, all in all, to wear the green. I do not know whether the new uniform of the armed forces will be worn in the parade next March 17 as part of the celebrations. However, I do know that I at least have misgivings about the colour because not only is it the traditional colour of the Irish but unfortunately it is also the official colour of the socialists. Thus at times I am for the green and at times opposed to it.

Someone once said to me, "You should never speak when you are angry," and I am going to take that advice. A few things were said during the debate in the course of the last 15 or 20 minutes about pressure by the Americans. The Leader of the Opposition has a knack of painting pictures much blacker than they are when it suits his political purposes. He is a past master at that and I always like to attend his performances in the house because I learn on each and every occasion how to be gloomier than necessary and how to be more optimistic than necessary. But I would like to tell the committee that I share his concern that pressure was put on the government in the case of the Mercantile Bank.

I believe this. I believe it from press reports. I believe it from the evidence given before the committee. But what I think is more important is that the government did not bow to American pressure. I had no idea

that the right hon. gentleman had intended to participate in the debate at this time. Had I know I might have brought along some documentation showing that we did not bow down to the Americans. But perhaps it might be sufficient for the right hon. gentleman if I read to him some of the statements made by the Prime Minister on the television program "The Nation's Business" on February 1, 1967, which I think best exemplify the firmness and the decision of the government that we are sovereign in affairs of finance and do not have to be told by anyone how to act. I would like to quote exactly what the Prime Minister said on that occasion:

There are two dangers, however—

He was talking about our relationship with the United States in this particular area.

—which we must avoid in the search for fair and acceptable solutions to our problem. The danger on the Canadian side is an oversensitive nationalism, defensive rather than aggressive—

I suggest this was the spirit of the right hon. gentleman's intervention a few minutes ago.

—based on the feeling, and the fear that as the weaker partner we are too dangerously vulnerable to the effect of the decisions of the friendly giant that lives beside us. The danger from the American side is ignorance of our desire, yes, our determination, to remain independent and separate; and an inability on their part to understand our refusal to accept the doctrine that what is good for the United States must necessarily be good for Canada too.

The point that the right hon. Leader of the Opposition has conveniently overlooked is the fact that at no time before the banking committee was any amendment brought forward, or any suggestion of an amendment from members of this party or members of his own party, in any way, shape or form destroying or weakening the pro-Canadian spirit of Bill C-222. The principle of the bill today is as it was in 1965 when first introduced by the former minister of finance and as reiterated by the present Minister of Finance when he appeared before the committee, that we in this country insist on our right as a sovereign nation to decide every decade what are the rules and regulations under which the banking institutions are to function. This is a fundamental right of Canada that was given in 1871 with the passage of the first Bank Act. Every ten years we review banking in this country and set out the terms, rules and regulations under which banking is to operate.

The owners and directors of the Mercantile Bank refused to recognize this Canadian right but because of the efforts of the present Minister of Finance the directors and owners, in not one but two telegrams to the committee and to the Minister of Finance, later emphasized quite clearly and quite concisely that they accepted the principle that Canadians had the right to make their own rules and regulations governing banking. They recognized the fact they were a Canadian chartered bank, and recognized the right of the Canadian government to specify their conditions of operation for the next ten years.

It was in the spirit of these telegrams from the Mercantile Bank accepting this principle that any and all amendments were introduced to the Bank Act. Several people have overlooked the fact, and it is one I must mention once again to the Leader of the Opposition, that his party was represented on the banking committee by what must be considered to be the cream of the members of the Tory party. Hon. members like the hon. member for Regina City, the hon. member for Perth, the hon. member for Edmonton West and the hon. member for Kamloops sat on that committee and the latter, despite his compaigning around the country, rarely missed a meeting of the committee. With such hon. members on the committee you would imagine, Mr. Chairman, that the right hon. gentleman would have been more than pleased to trust the viewpoint of the Tory party to the hands of these very well educated and responsible people.

When the hon. member for Nanaimo-Cowichan-The Islands indicates that the key amendments made in the banking committee were accepted unanimously, I can only repeat what I said last Thursday, that this is not only a tribute to the effectiveness of the chairman of the committee but also to the spirit of objectivity that prevailed in that committee. If the right hon. gentleman is going to accuse that committee of retreat then he has to accuse in the same breath the hon. member for Regina City, the hon. member for Perth, the hon. member for Edmonton West, the hon. member for Kamloops, and all the other distinguished members of the Conservative party who sat on that committee and approved every amendment that was adopted.

Mr. Nasserden: May I ask the hon. member a question?

Mr. Mackasey: I would be surprised if you didn't. Go ahead.

Mr. Nasserden: Thanks very much. All I want to ask is whether the hon. member agrees with his colleague who earlier in the debate said that there were some good amendments to what was a bad act.

Mr. Mackasey: Those might be a few good words in what could start out to be a bad speech, and I will comment on the hon. members' remarks at another time. The important thing, is that this bill as amended is no retreat and, as I mentioned before, if it in any way, shape or form can be considered as a retreat, then each and every member of the banking committee of the House of Commons must be held responsible.

• (5:20 p.m.)

There is an evolution of this house toward the committee principle. Committees of the House of Commons are obtaining a new dimension of responsibility. The committee system is working despite its disruption of the work of the house itself. The committee on finance, trade and economic affairs is a fitting example of how committees should proceed in the future. When we got rid of political partisanship and started discussing the bill we came up with a bill of which all members of the house, not just the minister, should be proud. Many of the suggestions, objective criticisms and improvements which were made were advanced by members of the Conservative party. Obviously there was very little communication between the right hon. gentleman and the members of his party who were members of that committee.

The clause to which the right hon. gentleman objects, clause 75 (2) (g), is familiar to all members who have followed the proceedings. What was the content of this clause in its original form? It stated simply that if any bank, as at January 1, 1967, had more than 25 per cent of its shares held by an individual or his associates, that bank would be restricted to a ratio of 20 to one in its liabilities. This is the crux of the problem. This is the clause in the bill that the former minister of finance felt was necessary to prevent the Mercantile Bank from growing and dominating the Canadian banking scene. Some of us are a little puzzled about how the Mercantile Bank is to grow into such a monster when we realize that, with its authorized share capital of $10 million, it is about one fifth the size of the next largest bank and considerably smaller than many of the banks such as the Bank of Montreal, the Canadian Imperial Bank of Commerce and others which may be 20 times as large.

Because of the philosophy behind the bill that it is our right as Canadians to administer financial affairs in this country we accepted the principle. However, when we considered that the effective date for the coming into force of the legislation would be six months hence, it became apparent that it was not realistic. In six months we would have expected the Mercantile Bank to dispose of three quarters of its shares, 750,000 shares of the stock. We keep proclaiming that we are not anti-American. There is a very fine line between professing our sovereignty and adopting a dog in the manger attitude. If every country were to take restrictive action, the flow of capital in the world would cease.

The important point, having convinced our United States friends that we intend to exercise our right to administer the act according to our principles, is that we should not then adopt an anti-American attitude. If we were to force any United States controlled bank to dump 750,000 shares on the market and dispose of them to Canadians in a period of six months, this would be an anti-American action. I do not care what anyone in the house is inclined to think about it; there is a thin line, but it is there.

We agreed to give the Mercantile Bank five years within which to dispose of its shares because neutral observers who appeared before the committee on finance, trade and economic affairs, including the minister, expressed the opinion that if 750,000 shares were dumped on the market now in accordance with the restrictions contained in clause 75(2)(g), there would be sheer speculation and no one in his right mind would buy the shares. This was the information we received from bond dealers.

The question then arose, what should we do? All the members of the committee, including members of the Tory party, the New Democratic Party, the Liberal party and the Social Credit party, said to the bank, "Go out and prosper; if you can make the shares worth while in five years, go to it. On January 1, 1972, unless three quarters of the shares of your bank are in the hands of Canadians, you will come under the restrictive clause and be forced to a 20 to one liability position." There is nothing unfair about this; there is no question of retreat.

I said that I did not intend to speak in anger, but my anger has been generated by the amendment of the hon. member for Cartier. If we say to the Americans that we are going to give them five years and then do

not, we are being anti-American. In effect this amendment says that we are giving them five years but next month we will hold a cabinet meeting and say that it is not in the best interests of this country that the law become applicable in 1972. That is the effect of the amendment of the hon. member for Cartier.

The clause would no longer say that the Mercantile Bank, or any other bank in the same position, has until 1972 to divest itself of the shares. It would say in effect that the date would be any time after a certain date in 1967, or after such later day, not being a day later than the 31st day of December, 1972, as may be prescribed from time to time by the governor in council. The effect would be that if at any time in the next five years the governor in council thought that the Mercantile Bank was not acting like a good Canadian and was not divesting itself of its stock fast enough, the restrictive clause, clause 75(2)(g), could be brought into force before the date which was unanimously agreed upon by the members of the committee on finance, trade and economic affairs. I do not know what effect this might have on me as a politician but, as I said on Thursday, I do not play dirty pool. I said, and I say again, that I will vote against the amendment because it is diametrically opposed to what was accepted unanimously by the members of the committee some weeks ago.

Mr. Monteith: Mr. Chairman, I should like to say a few words about this matter. I wish to differ with the hon. member for Verdun in one respect. He suggested there had been no communication between the right hon. Leader of the Opposition and the members of his party who were members of the committee. I should like to point out that this is absolutely incorrect. Further, I should like to say that it was not the Conservative party which retreated. I had not taken a stand in respect of the Mercantile Bank. When the matter first came before the house for consideration my stand was that I did not like discriminatory or retroactive legislation of this nature. Aside from that, however, I agree with him that when we were in committee we discussed this matter and I voted for the five year period. I thought this was the consensus of the committee after having considered the matter. Following my statement to the effect that I did not like retroactive or discriminatory legislation, I find no reason to be ashamed of the way I voted in the committee.

[Mr. Mackasey.]

• (5:30 p.m.)

The hon. member has explained the consideration which led to the decision. I suggest that the amendment brought forward by the hon. member for Cartier is presumed to be a compromise to settle the dispute which arose between the Minister of Finance and the ex-minister of finance some two weeks ago. I do not think there can be any shadow of doubt about that. The minister has not had the gumption to get up and move this amendment himself. He has not had another member of the ministry move it. He is simply using the hon. member for Cartier to move the amendment in an attempt to bridge the gap which exists between the former minister of finance and the present Minister of Finance. That is very obvious.

The amendment would leave it up to the governor in council to select a date upon which the government would say to an institution that it must divest itself of whatever assets it might hold at that moment. The date when this should happen should be spelled out in the legislation. It should not be left for decision by the cabinet. What could we expect under these conditions? We would not even know which minister would initiate the final decision. We must know specifically when this is to take place. All this amendment is supposed to do, as I said before, is to fill the gap between the opinions of the Minister of Finance and the former minister of finance.

Mr. Diefenbaker: Mr. Chairman, we are all awaiting with anxious expectation to hear the views of the former minister of finance. The hon. member for Perth has suggested that the amendment proposed by the hon. member for Cartier has simply been devised to provide a means whereby the two wings of the government can get together. I am sure the Minister of Finance would join with others in asking the Minister without Portfolio, who has wide knowledge in business, to give us his views.

Having listened to the hon. member for Verdun I doubt whether I have ever witnessed a minister excoriated to the same extent as was the Minister without Portfolio. He did not mention him specifically but he condemned him out of hand, and he condemned any suggestion that there should be control on investment. I think his attitude in general is one which would indicate that he wishes this house to recall that old song, "Walter, Walter, lead me to the altar".

[*Translation*]

Mr. Caouette: Mr. Chairman, I agree with the hon. Leader of the Opposition (Mr. Diefenbaker) that the hon. Member of the Administration should explain his attitude toward the control the Mercantile Bank will be able to exert on the Canadian national economy. The former minister of finance, now a Member of the Administration, has already denounced rather categorically, even sharply, that intrusion of American finance in the Canadian national economy.

Mr. Chairman, it seems the bank will continue to operate as it does now for a period of five years, during which it will be required to dispose of 75 per cent of its shares in order to retain only 25 per cent.

This treatment of the Mercantile Bank by the government makes me think that the government seeks more to lull Canadians for a five-year period in connection with the direct invasion of American capital by an American bank, called the Mercantile Bank, which is under Rockefeller's control and domination.

Mr. Chairman, in five years hence that important portfolio probably will not be held by the present Minister of Finance (Mr. Sharp); perhaps then another government will be presiding over Canada's destinies. In five years, virtually everybody will have forgotten clause 75.

This sort of reminds me of the frog in the pail of boiling water. You do not throw the frog into a pail of boiling water all of a sudden, for it would explode and jump to the ceiling. But when you make it boil slowly, you get it. The frog is thrown into a pail of cold water—it can stand cold water easily—which is then heated slowly. The water gets warmer and warmer and the frog tolerates the gradual change of temperature. At a given moment, the water is boiling and the frog is boiled, but it never noticed anything. The same thing is tried at the present time with the Mercantile Bank of Canada.

To wait five years to see what happens, to grant five years' grace, if you prefer, when the present Canadian legislation stipulates very clearly that a bank must be controlled in a ratio of 75 per cent by Canadians.

The government—and I support the Leader of the Opposition on that point—has reversed its stand, if the statements made a few months ago are compared to clause 75 under consideration. And the Member of the Administration who, a few months ago, when he was minister of finance, took a strong stand against that American control, against the intrusion or American capital and financiers in the Canadian economy, is now reversing his opinions. The Member of the Administration does not have the courage to express his views frankly as he did when he was minister of finance. He prefers now to criticize Créditiste theories that he does not understand. And if he understands the theories of the present system, let him rise and repeat the same statements he used to make at his press conferences or talks about the control exerted by American interests over the Canadian economy.

• (5:40 p.m.)

Mr. Chairman, we are looked upon and treated somewhat as children, but American pressure is what makes the government change its mind and views. This does not mean I am anti-American, not at all. The Americans do not control only the Mercantile Bank and we are asked to believe that the Mercantile Bank alone could enable the Americans to control markedly the financial system. In the field of industry and trade, in the economic development of Canada, it is nevertheless the Americans who control the larger part of our economy at this time through the Canadian banks under the American financial influence.

This may have provided opportunities for Canada. We are not against American capital investment in Canada. Not in the least. But I share the view of the former minister of finance, now a Member of the Administration, that we as Canadians, should keep the control of our economy. The Americans are not working in our stead, in Canada. Maybe we are using their capital, but Canadian men, women and young people are the ones who work at the development of the country and the government is committed and the young people are committed for 20, 25, 30 and 35 years through loans floated in the United States or through bond issues brought up by American financiers.

Mr. Chairman, the government or the sovereign parliament goes and kneels in New York, Washington, Chicago, Boston or San Francisco to mortgage the future of the Canadian people and that of forthcoming generations. That is how this system works; the Mercantile Bank is not the only thing involved.

Claiming an intrusion by American financiers, or a Rockefeller, into Canada, they say: Let them operate for five years and over that period they must sell 75 per cent of their

shares. By that time, nobody will likely remember what we are doing today, because once this bill is passed, the act will remain in force for ten years, which means that in five years from now this matter will probably not be reconsidered.

Mr. Chairman, whether or not the Conservative amendment is carried, we shall vote against the control of the Canadian economy by a few foreign individuals. I think that on behalf of the Canadians, we have to vote in favour of the amendment to clause 75 (2) (g).

[*English*]

The Chairman: Is the committee ready for the question?

Some hon. Members: Question.

Mr. Gray: Mr. Chairman, I wish to speak very briefly on the amendment before us. After listening to the debate in the committee this afternoon it seemed to me that all hon. members were generally in agreement with the basic principle that this vital segment of the Canadian economy should not fall under foreign domination, and that there would be some value in giving to those who do not at the present time fit within the code of rules aimed at bringing about this result a reasonable period of time to get into the position required by the legislation.

It seems to me, in looking at the proposed amendment, that its basic purpose and approach are consistent with the principle I have stated and that the only real difference between the amendment in the bill as reported to the house by the finance committee is that it gives the government a greater opportunity for supervision in a flexible way, to assure that the basic aim is achieved within the period of five years. It will make sure that those institutions which do not at present conform with the code of rules contemplated by the law, which is aimed at making sure that this crucial and vital segment of the Canadian economy remains in Canadian hands, comply fully with those rules.

Mr. Monteith: Mr. Chairman, I should like to point out that this is an entirely divergent view from that expressed by the chairman in the committee.

Amendment (Mr. Klein) agreed to: Yeas, 50; nays, 16.

The Chairman: I declare the amendment carried. Shall clause 75 as amended carry?

Clause as amended agreed to.

Clauses 76 and 77 agreed to.

Clauses 82 to 87 inclusive agreed to.

[Mr. Caouette.]

On clause 88—*Loans to certain borrowers and security.*

Mr. Danforth: Mr. Chairman, clause 88 sets out provisions that are perhaps the most important so far as the agricultural industry is concerned. It lays down the provisions under which banks may make loans to farmers. Before it is passed I should like to comment briefly on one or two points and I have a question or two to pose to the Minister of Finance.

There is no doubt that in this day and age the costs of production of primary products are so high that there is tremendous concern on the part of farmers about the economy of their industry. One of the difficulties which farmers face is that in many instances the manner in which their products are sold causes great concern and grave economic hardship. This is particularly true in regard to certain specialized crops such as fruits and vegetables and products of the dairy industry. These foods are financed and produced by the farmers and delivered to warehouses or storage facilities where they are subject to further processing before they are placed before the buying public.

In the case of dairy products, for example, milk is manufactured into cheese. When this takes place a long period of time often elapses between the time the primary producer delivers his goods and they pass out of his hands until the time he is paid for his product. Very often a tremendous risk is involved because of the perishable nature of the product and varying marketing conditions. There are instances where a farmer may deliver a product such as tomatoes and three or four months pass before he receives payment for his produce. I have used the example of milk products where there may be a lapse of 30 days or more before the farmer receives remuneration. In the case of tobacco and sugar beets, many months pass before the producer is paid for his product.

• (5:50 p.m.)

This situation has always been of great concern to the farming industry across the country on two counts. First, it is often felt that manufacturers have the use of the products of the farm and in many instances have received returns for them and are using the farmers' money upon which the farmers have had to pay interest. Second, there is grave concern that in many instances manufacturers may fall into economic chaos or bankruptcy before payment has been made. In extreme cases, the result has been that when

the creditors have been satisfied there has been nothing left to pay the farmers for their products.

These instances, although they have been few in number, are striking examples of what can happen at any time. When they are coupled with the high cost of production today, farming communities can suffer great hardship. Clause 88 indicates that there has been an attempt to check this trend and give primary producers a more favourable position. I have absolutely no quarrel with this. Farm organizations have been trying for years to bring about this change in the legislation. Farm organizations were faced with the fact that the act is normally revised every ten years so there was a ten-year gap during which they knew that although they might make representations there was little chance of having such an amendment made.

Farmers across the nation are delighted to see that at last the government has taken cognizance of this problem and is attempting to do something about it. In the last ten years nearly every farm organization concerned with fruits, vegetables and dairy products has made representations for such a change. Every device has been used, even the introduction of a private member's bill. I should like to give credit to the hon. member for Essex South whose private bill was referred from the house to the committee and paved the way for the clause we have before us today. Even so, Mr. Chairman, there were many months when it seemed that success would not crown the efforts of those hon. members who were directly concerned about the welfare of the farmer.

Clause 88, subclause (5) (b) makes provision for the fruit and vegetable growers. Can the minister explain to me why a sum was not stipulated in dollars and cents as was the case in connection with dairy products? Since I feel we are truly concerned about the success of both of these segments of the industry, perhaps such a sum should have been stipulated in both provisions.

I should also like to have the minister's comments on the effect such legislation might have on the credit of small canning factories and small manufacturers of dairy products who depend almost exclusively on bank credit for their seasonal operations. While we have every sympathy with the farmers and must make sure they receive their just due for their produce, we are concerned also for the small dairyman and the small fruit and vegetable canner. If as a result of the provision of this bill it is impossible for small canners to obtain the necessary financing in order to conduct their operations successfully, this will certainly cause grave hardship in small, isolated regions where the farmers depend almost exclusively on delivering their special products to the local plant. Can the minister explain whether or not this provision will cause any serious impediment to bank loans to these small processors? These are my concerns in connection with clause 88. I am delighted indeed to see the farmers are being protected to the degree they are, but I should like to be assured also that in protecting the farmers we are not causing the processors undue hardship because they are necessary to the successful operation of this industry.

Mr. Sharp: May I answer the two questions put by the hon. member who has just spoken? First, I should like to join with him in congratulating the hon. member for Essex South upon the happy outcome of his indefatigable efforts, as he would say himself. May I couple with the hon. member for Essex South the hon. member for Labelle who supported the hon. member for Essex South so valiantly in the standing committee on banking, trade and economic affairs. In saying this, I do not want to be invidious because I know there were many members in the committee who worked toward the same end. However, I happen to have observed particularly the work of the hon. member for Labelle when I was visiting the committee.

The first question put by the hon. member relates to page 74 of the bill. The answer is a simple one. If he will read the clause he will see that the words beginning at line 18 apply to subparagraph (i) as well as to subparagraph (ii). The $7,500 relates not only to (b) (ii) but also to (b) (i). The words are extended out to the margin and apply to both of the foregoing subparagraphs.

The second question was related to the effect upon the credit standing of canning factories and others. There is bound to be some effect. If the position of the producer is going to be improved, to some extent this must be at the expense of other creditors. However, under the amended act the banks can take other types of security and I do not believe the effect will be serious. I think the over-all effect of the legislation is good and should commend itself to the committee.

Mr. Danforth: May I ask the minister one supplementary question? Does the minister feel that under the provisions of the bill there

would be any instances in which small canning factories would not be able to obtain the necessary credit? Were representations received in the committee on behalf of any processors or canning factories in this regard? I am a bit curious to know whether they were aware of the provision and whether they made representations.

Mr. Sharp: I, of course, cannot speak for the committee because I was not present during all the hearings. I understand that the Federation of Agriculture, which would have some concern about canning factories succeeding, did support this amendment.

• (6:00 p.m.)

Mr. Korchinski: Mr. Chairman, I should like to make a few brief remarks with regard to this clause of the bill which as presently worded allows the bankers to make loans in the field of agriculture. As a representative from Saskatchewan where a considerable amount of bank credit is and has been incurred over the years I know that many of our people would be concerned about their position with regard to the Farm Improvement Loans Act. In clause 88(1) (h) (v) there are these words:

> any works for the improvement or development of a farm for which a farm improvement loan as defined in the Farm Improvement Loans Act may be made,

The question which comes to my mind is, what will be the position of a farmer or a banker in the case of an application for a loan, to which a farmer is entitled under the Farm Improvement Loans Act, for the purchase of various commodities, and what rate of interest will be applied? On the one hand there is the Bank Act which may require a higher rate of interest and on the other hand there is the Farm Improvement Loans Act which permits farmers and all those who fall in the categories set out in the act to obtain a maximum loan of $15,000 at 5 per cent.

I know that if the interest rate is increased to 7¼ per cent the interest which a farmer will have to pay on a loan may amount to a considerable sum of money and may cause hardship to farmers who are used to paying 5 per cent interest on a $15,000 loan. The difference will amount to $337.50 according to my calculations. Many of these loans are made for a longer period than one year. They may be made for as long as five years or whatever time is permitted depending on the type of loan that the farmer wishes to obtain. However, as soon as he has repaid a certain part of the loan he may want to purchase other equipment or make necessary improvements on his farm.

I have before me some figures which were provided to me by the Department of Finance. I note, for example, that in 1961 the total value of the loans amounted to approximately $108 million. By 1965 the amount had increased to $202 million, and according to the news release issued by the Department of Finance the latest figures indicate that in 1966 85,553 loans were obtained for a total of $212 million in round figures. It is quite evident that there has been a tremendous increase in the number of loans that have been obtained. The total of loans in the whole of Canada amounts to approximately $394 million. Even with an increase of 1 per cent, an additional $4 million will have to be paid in interest charges. If the additional interest rate were 2 per cent or 2¼ per cent, it would mean roughly $9 million on the volume of business that is transacted.

This sum does not amount to much when spread over a number of farmers but it does mean that $9 million is taken out of the pockets of farmers to be paid to the banking institutions. This money could be used in many cases to help farmers who have not been very successful. When one realizes that approximately 10,000 farmers leave the industry every year one begins to wonder what the reason for this is. Of course some of those who leave have retired, but on the other hand some of them leave the industry because they cannot make ends meet and they have no possibilities for improvement. This additional cost may prove to be too much for them.

I realize there are many farmers who have obtained the maximum loan permitted under the Farm Improvement Loans Act, $15,000 and then have found that owing to the rising cost of machinery and other essential facilities they require additional funds. At times they have to borrow from the machinery companies at higher rates. Perhaps the provisions set out in this clause will eliminate the necessity of obtaining loans at higher rates of interest. I should like to ask the minister whether he feels that the implementation of the provisions set out in the bill will eliminate the need for financing by machinery companies or other financial institutions which provide services to farmers.

The two main questions I wish to raise at this time are, first, will farmers be able to obtain loans of $15,000 at the 5 per cent rate now permitted under the Farm Improvement

Loans Act and then obtain further loans under the provisions of this bill or will the banks have to tell the farmers that it is impossible for them to grant loans at 5 per cent? According to my information, and I have checked it with the officials of the department, there is no means whereby the banks can be compelled to lend money at 5 per cent even under the Farm Improvement Loans Act. Until now the banks have been co-operative in cases where no risk is involved. As a matter of fact the record of farm improvement loan repayments is good. However, if a man has a good record of repayment there should be no reason for not granting him a loan at that interest rate. I have not heard of many cases where people had difficulty in obtaining loans but that is only so because their credit rating is good. Will those whose credit rating has been good be able to qualify or will this bill nullify the Farm Improvement Loans Act?

My second question is whether this legislation will eliminate the higher rate of interest demanded by finance and machinery companies? This is important, particularly in Saskatchewan where about one-third of all the loans are made. This legislation will also be of importance to the machinery industry. What will be their position if farmers decide to stop buying machinery owing to the high interest rates and the difficulty of obtaining loans? This would be a natural reaction of people who try to save money in every way possible and try to cut corners in their operations. With these few remarks I shall conclude, hoping that the minister will provide me with the answers.

• (6:10 p.m.)

Mr. Sharp: Mr. Chairman, may I reply to the questions asked by the hon. member for Mackenzie. I fully expect that the Farm Improvement Loans Act will continue to function as it is now functioning. The banks which make farm improvement loans to Farmers, are guaranteed against loss and are therefore willing to make loans at lower rates of interest than under the normal ordinary commercial terms where risks must be accepted. I do not think that the greater freedom we shall give the banks under this act, if approved in the form of the amendments before us, will make much difference to that part of their activity. The principal effect of removing the ceiling will be to give the banks greater scope to vary the interest rate with the risk involved.

My answer to the second part of the question is, therefore, that the banks will hereafter be able to provide a greater range of services to the farmers who, I think, will not be as dependent as they have been until now upon supplementary financing from the machinery companies at very much higher rates of interest. If the banks are freed of the ceiling on their interest rates I believe they will be able to service the farmers at a lower rate of interest than obtainable from the machinery companies now doing the financing.

Mr. Korchinski: May I ask a hypothetical question? If we find after this bill becomes law that the banks are charging a rate higher than 5 per cent, what guarantee have we that even though a man is a good risk, is progressive and has paid off his indebtedness to the bank over many years he can still go to the bank and say, "Under the Farm Improvement Loans Act I am entitled to a loan. Why must I pay a higher rate?" What safeguards are there that the higher rate will not apply?

Mr. Sharp: The rate with respect to the Farm Improvement Loans Act is fixed by parliament at 5 per cent and cannot be raised. That is a separate piece of legislation and is not affected by the Bank Act. It will be possible for the farmer to get other forms of financing partly because the banks will now be allowed to take security which they could not previously take and partly because they will be free to compete with acceptance and loan companies for business that hitherto had been unobtainable for them.

Mr. Korchinski: Should we find ourselves in the position that for two months after the coming into force of this bill there are fluctuations in the interest rate and the banks decide they must first see how the rates level out and as a result restrict loans under the Farm Improvement Loans Act, what safeguards are available to farmers? I realize that the point I have raised is only a possibility, but what guarantees are there that farmers will be able to obtain loans under the Farm Improvement Loans Act?

Mr. Sharp: This is a highly hypothetical question and perhaps I should not even attempt to answer. There are strict provisions in the law against any such conspiracy as the hon. gentleman has described. Second, I cannot believe that the banks of this country will stop providing the services they have been providing for farmers under the Farm Improvement Loans Act when greater freedom is given under this act. It is my belief,

and it can only be a belief, that it will be in the interest of the banks to continue serving farmers under the Farm Improvement Loans Act as they have in the past. As the hon. gentleman knows, the banks cannot be compelled to lend money to anyone.

Mr. Korchinski: That is the point.

Mr. Sharp: There is nothing we can do about it. We cannot compel anyone, including banks, to lend money to anybody else. I may say that the experience we have had with the Farm Improvement Loans Act leads me to believe that the banks will continue to provide hundreds of millions of dollars of loans under that act.

[*Translation*]

Mr. Clermont: Mr. Chairman, with regard to Bill No. C-222, in clause 88(5)(b), I read on line 45:

—au cours de la période de trois mois qui—

But, if I refer to the English version of Bill No. C-222 reprinted, on line 16 page 74, I read:

—the period of six months next—

Then, I wonder whether, in such a case, we must amend the French version or whether the correction can be made without an amendment.

The Acting Chairman (Mr. Asselin, Richmond-Wolfe): Would the hon. member be good enough to repeat what he has just said?

Mr. Clermont: This is it, Mr. Chairman. On page 79 of the French version of Bill No. C-222 reprinted, I read the following:

—au cours de la période de trois mois qui—

But if I refer to line 16, on page 74 of the English version of the Bill No. C-222, I read:

—the period of six months next—

Under the amendment passed by the committee of finance, trade and economic affairs, it is really a period of six months, and this is my question: Should we move an amendment to the French version or can we make the correction some other way.

[*English*]

The Acting Chairman (Mr. Asselin, Richmond-Wolfe): I am informed by the law officers of the House of Commons that it can be changed without an amendment.

Mr. Bigg: Mr. Chairman, in clause 88 there is reference to a manufacturer in subsection 1(b) and to a farmer in subsection 1(c). Are these definitions inclusive or exclusive? Is a farmer excluded from being a manufacturer? I see that money can be lent to a person engaged in the manufacture of maple syrup. He can use the maple syrup as security if he is a manufacturer, wholesaler, purchaser or shipper of maple syrup. If a farmer doing this as a sideline he be considered a manufacturer despite his being a full time farmer for the rest of the year?

Mr. Sharp: The answer is simple. He can be either or both. He can be both manufacturer and farmer or he can be either manufacturer or farmer.

Mr. Bigg: That brings me to my second question. In this bill we are giving the banks what appears to be a blank cheque. I can vote for some clauses in the bill with a clear conscience because I realize that farmers and small producers must get the credit they need. We had been told so far that we are protecting these people by allowing the banks to enter the lending field in places where they have been excluded, which has been to the detriment of these farmers and small producers. That sounds fine. But I am worried that the suggested ceiling of 7¼ per cent will become a floor. I do not think anyone will be able to borrow money under all these fine subclauses at a rate lower than 7¼ per cent. This will place an added interest burden of at least 25 per cent on all these primary producers.

• (6:20 p.m.)

I certainly think the risk is extremely small. Farmers who borrow money at the present time constitute a risk amounting to only one tenth of one per cent. I should like the banks to show me why they need an increase of 1¼ per cent and later of 2 per cent in interest rates when there is no indication whatever that farmers in the future will prove any more of a risk than in the past. I do not see why farmers should not get the money when the risk involved is virtually nil. When people go out to pioneer the land, when they put up with the absence of facilities for their comfort and for the education of their children, I do not see why they should not have the benefit of lower rates, especially when the risk they constitute is as small as one tenth of one per cent.

I do not see why the chartered banks should not become a pipe line from the financial wealth of Canada to those who are making the greatest contribution to our affluent society. I should like to have some assurance that this ceiling will not in fact become a

floor. I should like some assurance that the banks will really and truly be in competition not only with the loan sharks, as I call them, and the legitimate money lending institutions but among themselves. The chartered banks should make a real effort to provide the necessary capital for young people who are starting out and who find it tremendously difficult to raise the $30,000 or $40,000 necessary to begin farming operations. Although there are other acts which provide facilities for borrowing a certain amount of money, young farmers are still forced to borrow money against their cattle and field crops in order to pay for the machinery they need. I hesitate to give the chartered banks a blank cheque, as it were, without good reason to believe they will be really competitive and help the primary producers to set themselves up, branch out and even increase Canada's agricultural wealth.

Mr. Sharp: By way of a brief reply to these observations may I point out that when the ceiling was 6 per cent over a long period of years loans were made at very much lower rates of interest—3½ per cent or 4 per cent, for instance. So the ceiling has not by any means been the rate which the banks have charged. I can recall when 6 per cent was considered to be a very high rate of interest. The banks thought they would never be able to realize such a rate. It is only in recent years with the high demand for funds that rates have risen to around 6 per cent. I would hope and expect that as in the past there would be keen competition among the banks below the ceiling or in the absence of a ceiling at all.

Mr. Bigg: I do not think any farmer in my district in the last 20 years has been borrowing at a rate anything like 3½ per cent. It has been difficult to borrow at 6 per cent in many cases. So they have been forced into the hands of the loan sharks; there is no kind word for them when they charge an interest rate anywhere between 18 and 30 per cent.

I am hoping this legislation will help those who have had no opportunity whatever to borrow money at reasonable rates. As I say, I am afraid that if the ceiling is raised there will be a tendency to lend money close to the ceiling. It provides a certain amount of fuel for those who believe in Social Credit theories and suggest that the flow of money should depend on the natural resources of the country and the willingness of the people to work rather than on arbitrary decisions made behind closed doors and around mahogany tables. Those of us who have spent all our lives in the farming industry cannot but feel there is a modicum of common sense in this contention. If by statute we are able to make reasonable loans to people for reasonable purposes, taking into account their ability to repay, we accomplish something which is of real value. Otherwise I can only give my full approval to this bill with a great deal of trepidation.

Mr. Herridge: Mr. Chairman, I have listened to a large part of this debate with great interest. I want to say that I find a number of members are not very well informed with respect to the operation of banks. I am saying this as a socialist. I have dealt with a local bank for 50 years. I have found that the local manager is always honourable and willing to co-operate with the farmers in the district and the small forest operators and has an understanding of their problems. Within the limits of the act and the circumstances prevailing I have always found him willing to do the best he can.

This is true of other bank officials in my area. I have known them to stick their necks out, to use a vulgar term, on behalf of people they are trying to help. I am sure the farmers, the vegetable growers and the fruit growers will be pleased to see clause 88 in the bill and I wish to compliment the committee for adopting it. I know that the chairman of the agricultural committee, the hon. member for Essex South, and other members of that committee have a direct relationship with farmers and know their problems at first hand. I always enjoy the remarks of the earthy member for Kent (Ont.) on this subject because he speaks from personal experience, not just from the book.

I rise to say once again that in my opinion the agricultural producers will consider clause 88 to be a great improvement over the previous section in the act. I wanted to ask the minister one question. This provision applies to agricultural producers, fruit growers, vegetable growers and so on. Would it apply also to the farmer who grows wood as a crop as part of his farming operation and sells it in the form of logs or otherwise to a small sawmill, for example? People engaged in operations of this kind often lose considerable sums of money because those with whom they are dealing go bankrupt. Are they protected in the same way as other producers are protected?

Mr. Sharp: No, Mr. Chairman, they are not.

• (6:30 p.m.)

Mr. Whelan: Mr. Chairman, I was the sponsor of a bill to protect primary producers in the case of bankruptcy when I was first elected to this house in 1962. I re-introduced it following the election in 1963 and the government at that time saw fit to send it to the banking and commerce committee. It was one of the first private members bills which was studied by the committee and reported back to the house.

As a primary producer this made me quite happy and today, finally realizing that what I was seeking is going to become law, I feel happy that I have accomplished one little thing since becoming a member of the house. I know that farm organizations across Canada will be delighted by the action of the government and the committee. The former committee recommended to the government that some type of legislation be initiated to protect farmers, mainly producers of primary crops that are perishable. I commend the committee, and in particular the hon. member for Labelle and the hon. member for Nanaimo-Cowichan-The Islands for their studious work while serving on the committee.

I was not a member of the present standing committee which studied this bill, but I did observe some of the work done by it and had consultations with its members at different times. The provision now incorporated is even better than what was contained in the previous bill introduced last session but which never became law. The committee has done a wonderful job and, as I have said, the farm organizations will be happy about it.

The new provision raises the amount of money which farmers can claim. In the previous bill it was set at $5,000. That is now changed to $7,500 and farmers have been given another three months from time of delivery in which to make claims.

I know the hon. member for Kent (Ont.) is aware that people are concerned about this matter in the province of Ontario and that the provincial legislature is hoping to pass legislation to protect the producers of dairy products in Ontario.

The provision in this bill will not create any hardship for any small canner. In my opinion any such canner who cannot finance himself has no right to use the assets of a primary producer whose whole livelihood can be placed in jeopardy if the canner is not on a sound financial footing. A lot of financially unstable canners have already gone out of business but this has not stopped new canneries being established. In fact in my own county of Essex five new ones have been established.

Bankers were aware of this new provision, and knew there was a great possibility of its becoming law. When moving my original bill I received an education in bankruptcy and in parliamentary committee procedure. At one stage the bill was thrown out of the standing committee. Later it was returned, however, and the experience which I gained on that committee has helped me in my work on other committees. I want to thank the present Minister of Finance and the present standing committee for making this become a reality.

Mr. Aiken: I wish to ask the minister a question concerning subclause (5) (b). I have looked back at the initial consideration of this question in the standing committee, and my recollection is that at that time the bankers who appeared said categorically that if a provision of this kind were put in the bill, by which they would lose their first charge on the assets of canners, they would refuse to make loans to them. There was a great deal of discussion about the matter in the committee. Is the minister now in a position to get any assurance from the bankers that they are satisfied with this subclause, and that they will continue with normal loans to canners, particularly to small canneries, so that the provision will not in the end hurt both small canners and the producers themselves? The feeling was very strong that bankers would not make loans to canners. It was thought that because this new provision gives no protection to bankers they would discontinue making loans to this type of operation.

Mr. Sharp: Mr. Chairman, this matter was discussed at some length in the committee. If the banks had shared the views expressed by the hon. member they certainly would have expressed them to the committee. They did not do so, and it is my understanding that their attitude is that they can live with the legislation.

Mr. Aiken: But can the canners live with it?

Mr. Sharp: If the banks had been so strongly opposed and felt they could not deal with canners they would have said so. They expressed themselves in the way that I have expressed it now, that they can live with the legislation, in other words that they can continue to operate and make loans.

[*Translation*]

Mr. Caouette: Mr. Chairman, a few words only to show my full appreciation as regards this clause 88, which gives banks authority to lend money and make advances to any farmer, producer, wholesaler, forwarding dealer or buyer of agricultural products.

I believe this clause really places the bank in its proper perspective. As a matter of fact, we claim that banks should finance the private sector, encourage individual enterprise and initiative and we believe the part it will thus play will be effective. And the bank can certainly and very easily replace, for instance, the financial organizations that are swallowing up the farmers at present.

A farmer from the Témiscamingue area wrote me recently to say that he had borrowed from a finance company in order to buy a car; and he owed about $2,800 to the company. A month later, the farmer goes to the finance company, bearing the name of Delta Acceptance. Now, for a one-month period, the company charged him $208 for service costs and interests.

Banks can certainly play an important role in that field. Still, it should be remembered, Mr. Chairman, that some bank directors are often also directors of finance companies or acceptance corporations as we call them.

And so they would rather loan money at 12, 14, 15, 20 and 25 per cent through acceptance rather than at 6 or 5 per cent through the bank: it pays more. And anyway, all those loan companies are financed by chartered banks. The note of a finance company is discounted at the chartered bank within a few hours after it is signed and the finance company immediately makes 80, 85, 90 per cent of the full amount of the note, which includes the interest for a period of 36, 24 or 12 months.

• (6:40 p.m.)

I for one would not wish to see banks discriminate against our farmers for any consideration whatsoever. I agree that the minister and the government have their hearts set on assisting the farmer.

This clause 88 clearly sets out the possibilities for farmers to profit by a government act, but what we should know is to what degree the banks will meet the requirements of farmers and will understand the important part they can play in the development of agriculture in Canada. Indeed, of all the clauses contained in Bill No. C-222, I suggest that clause 88 is the most important, the most vital, for it affects the social class which is the whole basis of our economy. Without a prosperous agriculture, we cannot maintain the other social classes in prosperity indefinitely.

Farming is the foundation. Without farmers, not a single member or minister would be sitting in this house. We must have food and clothing, and all that comes from the farmer, from farming.

And that is why, Mr. Chairman, we give so much importance to the help which parliament and the government can give to the Canadian farmers. I sincerely believe that the Minister of Finance is as proud as we are of clause 88 which is meant to help the farmer in his sphere of activity, and we support that objective wholeheartedly. The bank will be able to play its role in its very own field and we do not want to prevent it from doing so, far from it, because we know that farming must remain in the private sector. If we help the farmer to have more initiative, he can improve considerably the quality and quantity of his production, because if the farmer has better equipment and facilities, he will give a better output to serve society. As a matter of fact, the farmer asks nothing more than to serve better, as long as we give him the possibility to do it.

Two years ago we had the opportunity to visit some community farms with farmers who own absolutely nothing. In Russia, for instance, in Czechoslovakia, where the government practised controlled farming, what were the results? Such a complete failure that today those governments are forced, to go back to the method of personal incentives and determine that if a farmer produces beyond such a quota, he will receive a bonus on his production surplus.

If, in those countries, they nationalized, state controlled and communized everything, now they must go back to realities and rehabilitate farming.

Mr. Chairman, in Canada, we must preserve, improve and further assist the initiative of our farmers, and that is why the members of the Ralliement Créditiste are happy to endorse clause 88 which will allow the banks—let us hope that they will be broad-minded—to co-operate to the farm development required in Canada, to assist the farmers, so that they can improve their living conditions as well as their production capabilities.

Mr. Chairman, we are glad to see the interest shown by the government in the Canadian

farmer through clause 88 and we endorse 100 per cent the potential role of the bank in assisting our farmers.

[*English*]

Mr. Danforth: Mr. Chairman, although I am in accord with one part of clause 88, I am very much concerned about another part of this clause with which I should like to deal in a moment. First of all, I should like the minister to give us an explanation of how the provisions in clause 88 (5) (b) (ii) will work with relation to provincial legislation, which I understand deals with this specific subject in a somewhat similar manner. I should like to know whether or not there has been any consultation at the federal-provincial level in this regard and whether or not it was found that such legislation is compatible federally and provincially. Also I should like to know whether in respect of this clause the federal and provincial governments will act separately or together in order to provide the protection which the farmers need. This is one matter which I hope the minister will explain.

Like the hon. member who preceded me I am not in full accord with subclause (1) (h) (v) of clause 88 because I believe the effect of this would be to cancel one of the very vital financial tools which farmers in recent years have employed in successfully carrying out their operations. This clause makes it possible for banks to loan money to farmers for any works for the improvement or development of a farm for which a farm improvement loan as defined in the Farm Improvement Loans Act may be made. The banks cannot be compelled to lend money under the Farm Improvement Loans Act. Under this act the rate of interest is stipulated to be 5 per cent. Loans at an interest rate of 5 per cent will not be accorded to farmers.

The banks certainly are in business to make money. If under the provisions of the Bank Act the banks are in a position to loan money at 6 per cent, 7 per cent, or at such higher percentage rate as may be authorized when the Bank Act comes into effect, certainly when the farmer approaches a banker for a loan the banker will not lend him money at 5 per cent under the Farm Improvement Loans Act.

This will bring great hardship to members of the agricultural industry who have over the years taken advantage of these 5 per cent loans under the Farm Improvement Loans Act. These loans have been very popular among farmers. In recent years millions of dollars have been loaned to farmers on this basis. If the banks are to be given an alternative, this provision in the bill would be useless because the farmer would be unlikely to receive a farm improvement loan at 5 per cent. My contention is that if in the implementation of this legislation the ceiling on the interest rate is allowed to rise, then all the good which has been brought about by the Farm Improvement Loans Act will be nullified because since the banks will not make a loan with a rate of interest of 5 per cent these loans will not be available to farmers. Because of this farmers will be faced with the necessity to borrow money at a rate of interest which has been increased by one and a half or two per cent.

• (6:50 p.m.)

With the high cost of living today the farmers carry a sufficient burden, particularly when one considers the cost of farm machinery and its necessity under present day farming practices. I can only express consternation and alarm at the fact that these amendments to the Bank Act will work to the detriment of farmers in those ways I have outlined, in spite of the fact that to some extent it may appear that some relief will be provided. I hope I am wrong in this belief and that the Minister of Finance can convince me of that error. However, unless I hear a reasonable argument to the contrary I am satisfied that when this measure comes into effect the benefits farmers now receive under the Farm Improvement Loans Act will be lost.

Clause agreed to.

Clauses 89 and 90 agreed to.

On clause 91—*Powers re interest.*

Mr. Chrétien: Mr. Chairman, we have a problem in respect of clause 91 in that the hon. member for Compton-Frontenac wishes to speak to it.

Mr. Starr: Mr. Chairman, before the next hon. member speaks, with his permission perhaps I may suggest that we adjourn now for dinner and return at eight o'clock in order that his remarks will not be interrupted.

Mr. Nasserden: Mr. Chairman, may I call it seven o'clock?

Mr. McIlraith: Mr. Chairman, it apparently is the wish of hon. members of the committee that we rise and suspend the sitting until eight o'clock in order that we may have a dinner recess.

The Chairman: Shall I rise and report progress and request leave to sit again later this day?

Some hon. Members: Agreed.

Progress reported.

PROCEEDINGS ON ADJOURNMENT MOTION

SUBJECT MATTER OF QUESTIONS TO BE DEBATED

Mr. Deputy Speaker: It is my duty, pursuant to provisional standing order 39A, to inform the house that the questions to be raised at the time of adjournment tonight are as follows: The hon. member for Lotbinière (Mr. Choquette), income tax—request made by the Estates General of French Canada; the hon. member for Kootenay West (Mr. Herridge), health and welfare—research into illness caused by noise; the hon. member for Grand Falls-White Bay-Labrador (Mr. Chatwood), fisheries—abolition of seal hunt.

Mr. McIlraith: Mr. Speaker, I would ask that the sitting be suspended until eight o'clock.

Mr. Deputy Speaker: Is it the pleasure of the house to adopt the said motion?

Some hon. Members: Agreed.

Mr. Deputy Speaker: Perhaps hon. members will agree to resuming the business interrupted a few minutes ago, before suspending the sitting.

Some hon. Members: Agreed.

BANK ACT

DECENNIAL REVISION AND EXTENSION OF CHARTERS

The house resumed consideration in committee of Bill No. C-222 respecting banks and banking—Mr. Sharp—Mr. Batten in the chair.

The Chairman: The committee will resume its work at eight o'clock.

SITTING SUSPENDED

SITTING RESUMED

The committee resumed at 8 p.m.

The Chairman: Order. House again in committee of the whole on Bill No. C-222, respecting banks and banking. The committee is considering clause 91. The hon. member for Rosthern.

Bank Act

On clause 91—*Powers re interest.*

Mr. Monteith: Mr. Chairman, may I ask a question before the hon. member speaks on clause 91? I understand that clause 88 has been carried. Has the minister had an opportunity to study the remaining clauses with the thought in mind that possibly we could clean up most of them, or all of them other than clauses 1 and 91?

Mr. Sharp: Mr. Chairman, during the supper hour I took a few minutes and made a note of clauses that I thought were non-contentious. Perhaps I might read the numbers and a note might be taken of them.

Mr. Monteith: Would you mind reading them rather slowly, Mr. Minister?

Mr. Sharp: Yes, I will. Then we might at an appropriate point decide that we could in fact approve them en bloc. Clause 93—

Mr. Langlois (Mégantic): Not 93.

Mr. Sharp: —clauses 96, 97, 98, 101, 145, 151 and 158. Then I include all the remaining schedules.

Mr. Monteith: Would the minister mind repeating the numbers?

Mr. Sharp: Yes, I will read them again: 96, 97, 98, 101, 145, 151 and 158.

Mr. More: Mr. Chairman, the minister mentioned clause 93 the first time. Has he dropped that clause?

Mr. Sharp: There was an objection to clause 93.

Mr. Monteith: And all the schedules?

Mr. Sharp: All the remaining schedules.

Mr. Knowles: Mr. Chairman, does this leave clauses 91, 93 and 1?

Mr. Sharp: The final clauses, and No. 1. With respect to the final clause I propose to move an amendment. Because of the lapse of time and there being no opportunity for proclamation, this act will have to come into effect when it is approved.

Mr. Monteith: Mr. Chairman, the minister is referring to clause 162?

Mr. Sharp: Yes, clause 162. I am leaving that clause for discussion because I propose to ask that an amendment be made; and clause 1. I am not certain which of them I left out,

but anything I had any question about I left open for discussion.

Mr. Knowles: Then it looks like clauses 91, 93, 162 and 1.

Mr. Sharp: And clause 99. I think the hon. member for Compton-Frontenac asked that we hold clauses 99, 100 and 102.

Mr. Langlois (Mégantic): I think there might be a misunderstanding, Mr. Chairman, according to my information. Clauses 99 and 100 were not reserved in this respect. With regard to clause 93, I do not wish to anticipate anything but I would rather have that clause held for the moment. I would rather discuss it later on.

Mr. Sharp: Then, Mr. Chairman, may I add to the list clauses 99, 100 and 102?

Mr. Monteith: May I suggest that the minister move the adoption of these particular clauses.

Mr. Sharp: I would like to be fair to the committee. I do not want to appear to be pushing anything or trying to put anything over on the committee, but I would be very happy to move that these clauses be approved en block without further discussion.

Mr. Monteith: Would the minister mind repeating the numbers again?

Mr. Sharp: I will read the numbers again: 96, 97, 98, 99, 100, 101, 102, 145, 151 and 158, and all the remaining schedules.

The Chairman: It is moved by the Minister of Finance:

That clauses 96, 97, 98, 99, 100, 101, 102, 145, 151 and 158, and schedules A to L and R and S be carried en bloc.

Is it the pleasure of the committee to adopt the said motion?

Motion agreed to.

• (8:10 p.m.)

On clause 91—*Powers re interest.*

Mr. Nasserden: Mr. Chairman, in rising to speak to this clause of Bill No. C-222, I think it is fair to make the observation that this is perhaps one of the more important clauses of the bill. It is important not only because of the effect it may have on banking in our country but the effect it may have on the economic activity within our country for a number of years ahead. While it is true that the Bank Act will provide for charters being granted to the banks over a period of ten years, the effect on the economic life of our country will be more far-reaching than that. The trends and patterns that will be established in the years immediately ahead after this bill comes into operation will, in large measure, decide the future of Canada itself and of individual Canadians as well.

What we in this house must consider tonight is whether or not the wealth that has been accumulated in this country which finds its way into deposits in the banks of our nation will serve the average Canadian or whether that wealth will go to those who can pay the highest amount. This, in my opinion, is one of the reasons our parliamentarians of an earlier era put a ceiling on the interest rate that could be charged by our banking institutions. It is a notable fact, sir, that notwithstanding the many obstacles that our bankers have had to overcome throughout the years, such as depressions, wars and other things, our banks have not been unprofitable. One has only to look at the financial statements of these institutions to ascertain that. This does not mean, sir, that the banks could not have been more profitable in Canada had successive governments come to grips with the problems confronting the people of this nation in relation to finance companies, and the activities in which they have engaged over a period of years.

Mr. Monteith: You mean successive Liberal governments.

Mr. Nasserden: Someone says, successive Liberal governments. It is a notable fact that the Liberal party has been in power for the greater part of the last number of years. I recall that for 22 years they had almost unlimited access to power in the nation's parliament. Today we are faced with problems that have grown up during the last few years, problems that are the result of the actions that have been taken by the government as well as actions the government failed to take in coming to grips with the problems that face Canadians in every part of our land.

In this particular clause before us we see embedded the objective toward which this government has dedicated its life, dedicated every effort for a period in excess of two years. I need only point to the rise in interest rates that has taken place in Central Mortgage and Housing Corporation loans, the higher interest rate that was provided for farm syndicate loans, to indicate the attitude members opposite have toward the development of our nation. Indeed, sir, from one end

of Canada to the other and in all the four corners of the world, Canada is becoming known as a high cost economy. This is one of the things with which we will have to live and with which successive governments will have to try to come to grips. It is a problem that has been created as a result of the carelessness of this administration.

Now, on this occasion we have a Minister of Finance coming before parliament with predictions. You know, sir, his predictions in the past have had an unhappy knack of raising false hopes in the Canadian people. We need only think of what he said would happen with regard to inflation. We think of what he thought could be the economic situation in this nation. We think of what happened with regard to the housing problem. We think of the increased rate of unemployment which has set in, but I note that the Secretary of State for External Affairs smiles. This is a fact in the city of Toronto and in other places in this country. People have suffered hardship and privation this winter because of a lack of a housing program which was effective. In addition to that, other Canadians have had to pay more for houses they have bought than otherwise might have been the case.

We see a rise in the number of unemployed. We see contractors viewing the future apprehensively, and then we see the Postmaster General laughing. The increase in the number of unemployed in the province of Quebec is just as great as, if not greater than that in the city of Toronto. What I wanted to say before I was diverted by those smiles from ministers opposite was that the Minister of Finance has had a knack of raising false hopes in the hearts of most Canadians. Listening to him and to his colleagues one would almost think that high interest rates were a virtue. We listened to the Minister of Labour the other day as he sought to brag about the effect high interest rates would have on the housing program in this country. Everyone knows—everyone who cares, knows—that the people of this country are reaching a stage where they cannot afford to buy the homes which are necessary to house their families. We have this arrogant government, the ministers of which smile when these things are mentioned, going on their way, bringing before this parliament a bill which is a further successive step in those they have taken to raise the cost of production in this country, and lessened the productivity of the individual members of our society.

One part of this clause provides that for the period commencing on the coming into force of this act and ending on December 31, 1967, the interest rate shall be 7¼ per cent. This is 1¼ per cent more than the limit which resulted from the deliberations of an earlier committee of the house. Now, sir, we have to ask ourselves what the effect of this action will be on industry and initiative in this country. Who are the people who are going to be able to bid for this money? It will certainly not be the young, with limited resources, because in the minister's own words they are going to be more of a risk than the well established. They will have to pay a higher rate of interest than those who are well established and on the way to building their futures in our nation.

● (8:20 p.m.)

The problem which has existed in the last several years was that the banking institutions of our country have been unable to bid for the deposits which have gone into the consumer loan and finance companies all across this nation. These companies have been able to do what they have done because the government has not provided regulations forcing them to compete with the banks of our nation. The minister himself has given lip service to another concept. That concept, as seen in this bill and as expressed by the minister before the committee, is that we must bring our banks into competition with the finance and consumer loan companies in this nation. I say to you, sir, that the lack of these regulations will stifle initiative and will discourage the development of our nation. I cannot help but feel that if the measures outlined by the government in the bill which is before us are followed, Canadians in the years ahead will pay and pay, and in many cases opportunities to develop their business will be denied them. Small businessmen, farmers and professionals will all suffer because of that legislation.

It is for this reason that I believe this clause in the bill should be amended. Therefore I move:

That paragraph (a) of subclause (3) of clause 91 of Bill C-222 be amended to delete the words "and ending on the 31st day of December, 1967, 7¼ per cent; and that the words "6 per cent" be substituted so that paragraph (a) would then read as follows:

"for the period commencing on the coming into force of this act, 6 per cent".

And further that paragraph (b) be deleted entirely, that subclauses (4), (7), (8), (9) and (10) be deleted entirely, that subclause (5) be renumbered subclause (4) and that subclause (6) be renumbered subclause (5).

If this amendment is adopted, our banking institutions will be able to operate in the same way as they have in the past without discriminating against the small income groups and will be able to provide the services which they have been able to provide in the years gone by. At the same time the government will continue to have the responsibility of bringing forward legislation to regulate and supervise other financial institutions in the country which live in a jungle of their own. This is what I feel Canadians from one end of this country to the other have waited for all too long.

I will not say anything more with regard to the amendment which I moved. All I will say is that if the present bill is passed, the people of this country will band together before too long to organize banks of their own in order to provide the services at reasonable rates of interest.

Another point which I should like to make is that in the United States interest rates have generally been lower than those prevailing in Canada, and therefore the legislation which is before us may have a detrimental effect on the transfer of funds from the United States to Canada. The minister says that the high finance charges will be levelled out. However, the fact remains that they will be levelled at a higher rate than 6 per cent. This will mean an increase to most of those who have utilized the banking services of our country over a long period of years.

Mr. Gilbert: Mr. Chairman, clause 91 is the most important clause of Bill C-222. There has been much talk about clause 75 (2) (g) concerning the Mercantile Bank, but clause 91 is the real nub of the bill. I recall that back in July, when the Minister of Finance introduced the bill, serious concern was expressed by the members of his party about the formula he presented at that time determining the interest rate. It was a compromise formula to satisfy the differing views in his party concerning the determination of the interest rate. As you remember, Mr. Chairman, the formula was to add 1¾ per cent to the preceding average quarterly yield of government of Canada short term bonds, and if the average yield on the government short term bonds fell below 4½ per cent, then the interest rates would be freed.

This formula was presented at a time when the interest rates were rising. In the standing committee on finance, trade and economic affairs the weight of evidence on behalf of the chartered banks was that the present 6 per cent rate was unrealistic in today's economy and unduly restrictive to the competitive position of the banks. This was the basis of the claim. There was no evidence of any real effect on the profit that the banks enjoyed. Professor Slater indicated the advisability of classifying interest rates into two or three broad categories, namely business loans, mortgage loans and consumer loans, and applying different rates to each class. No action was taken on the recommendation at that time. Professor Neufeld said that the problem would be solved by adding one half of 1 per cent every six months until the interest rate reached 8 per cent. This suggestion also was not acted upon by the government. We in the New Democratic Party felt that a regulatory body should be set up to determine the interest rates and the allocation of moneys to different categories of borrowers. As time went on and more evidence came in we found there was pressure to change the formula that was presented by the Minister of Finance in the first instance. A great deal of the pressure came from the Progressive Conservative members of the committee.

Mr. Monteith: Pressure for what?

Mr. Gilbert: In fact the motion to change the formula was initiated by the hon. member for Regina City. I think he had the support of the hon. members for Edmonton West and Kamloops. It would be fair to say that he probably did not have the support of the hon. member for Perth.

• (8:30 p.m.)

Mr. Monteith: Thank you.

Mr. Horner (Acadia): Or of the hon. member for Acadia.

Mr. Gilbert: But the initiative came from the Progressive Conservative party.

Mr. Monteith: On the invitation of the government.

Mr. Gilbert: The government lent its support, after the proposal was made.

Mr. Horner (Acadia): Before.

Mr. Monteith: The government requested it.

Mr. Gilbert: The main change was the changing of the base rate on the yield of short-term government loans, changing the rate from 4½ to 5 per cent. The compromise formula of 7¼ per cent would apply to the end

of December, 1967. After that time the formula would be to add 1¾ per cent to the preceding quarterly average yield for government of Canada short term bonds. If the yield of government of Canada short term bonds fell below 5 per cent—not 4½ per cent as set out in the original formula—there would be a freeing of the interest rate. This is the formula we have before us tonight.

The Minister of Finance having presented the original formula to the house in July, when interest rates were high, we now find that there is a downturn in those interest rates, the rate for government of Canada short term bonds now being below 5 per cent. Applying the formula today would free the interest rates; nevertheless the 7¼ per cent figure applies until December 31, 1967.

The result will be that as of January next year the chartered banks will determine the interest rates for their different types of loans. The evidence before the committee showed that the chartered banks do not adhere to the present 6 per cent figure; for consumer loans the rates average between 10 per cent and 11 per cent, the reason being that the banks include service charges in the determination of the interest. Rather than charging 6 per cent for business loans the banks often demand compensating balances, increasing the percentage.

Once interest rates are freed one can prophesy that the rates for business loans will be probably around 8 per cent, and the rates for consumer loans will probably move up to between 12 and 13 per cent. We have evidence that the chartered banks will enter the mortgage field. With National Housing Act mortgages at around 7¾ per cent and with conventional mortgages being about 1 per cent higher, we shall find that conventional mortgages from the banks will be around 8½ to 8¾ per cent.

This is the picture Canadians will face in 1968; it is not a happy one. Probably that is why the hon. members for Rosthern and Acadia are not happy with the positions taken by certain members of their party in the standing committee on finance, trade and economic affairs. In the New Democratic Party we realize that there has to be a certain amount of realism with interest rates today. We should prefer returning to the original formula set forth by the Minister of Finance last year—

Mr. Monteith: Is the hon. member adopting a holier-than-thou attitude?

Mr. Gilbert: —where the base was 4½ per cent. At the moment the rates on government short term bonds are 4.9 per cent.

There appears to be a fluctuation in interest rates; there is an unsteadiness; and that concerned or troubled the Minister of Finance when he introduced the legislation in 1966. We feel that by leaving the base at 4½ per cent the present formula will have more time to adjust itself and to be tried and tested.

Foremost in the minds of many committee members was the need for parliament to review the Bank Act more than once in every ten years. In our party we feel that if the minister's original formula, with the base at 4½ per cent, were tested for two years that we should know where we are going with interest rates. Otherwise we shall be left with the formula we have today, with interest rates at 7½ per cent until the end of the year, and with the possibility of a substantial increase in 1968, and in the years ahead. After the disposition of the amendment by the hon. member for Rosthern, therefore, we shall move the appropriate amendment.

Mr. Monteith: Mr. Chairman, I do not intend to hold up a vote on the amendment of the hon. member for Rosthern, but I wish to say that I support his motion. It has been clearly intimated that circumstances change rapidly. When we started hearings on the Bank Act last October there was definite evidence before the committee that interest rates were rising and would reach a maximum, and evidence was given to the effect that the rates would probably stay up for about ten years.

We have seen the reversal, as a consequence of which clause 91 (3) (a), fixing the rate at 7¼ per cent until December 31, 1967, has become obsolete overnight. The situation is completely uncertain. We have these fluctuations, and I think the hon. member for Rosthern was correct in moving his amendment. Apart from some financial institutions encountering difficulties, others, including the banks, are doing all right. For the time being we could well maintain the 6 per cent rate, to see what happens. We were in a position at one time where 7¼ per cent seemed not unreasonable. Today, as has been said by the hon. member for Broadview, with short term bonds at around 4.9 per cent, by adding 1¾ per cent to that figure, as in the original formula proposed by the minister we should not approach 7¼ per cent.

As I have expressed more than once in this house I am afraid of maximum rates becoming the minimum. I do not believe that, as of

tonight, we should authorize this 7¼ per cent rate to December 31, 1967.

Mr. Horner (Acadia): Mr. Chairman, I, too, would like to say something about banks and the rate of interest. The house wishes to pass this legislation tonight. I suggest to the minister that he adopt the agreeable mood the Minister of Transport adopted when we were dealing with a massive piece of legislation, the transport bill. I am speaking in support of the amendment of the hon. member for Rosthern which would, in effect, amend clause 91 throughout and return us to a 6 per cent interest rate. I am particularly in favour of this arrangement, but if this argument fails, we could find ourselves agreeing to take a close look, in the three quarters of a year which will remain, if this bill passes, at the 7¼ per cent mentioned in paragraph (a) of 91 (3).

• (8:40 p.m.)

Consideration of this clause took up a great deal of time in committee when much was said by the Minister of Finance about interest rates of this kind. I suppose it is of little use, now, discussing whether or not bank profits should be as high as they are, or whether they should be higher; or whether the removal of the interest ceiling will indeed bring about greater competition between the banks and the financial houses.

Let us take a look at interest rates. I have before me the Wood-Gundy market report giving market quotations of government of Canada bonds. The date is March 17, 1967. I do not know what the minister calls a short term bond. Is it two years or three years? The minister holds up three fingers. That would be 1967, 1968 and 1969. A quick look at the bids, and what was asked, and the yields, for April 1, discloses that government of Canada bonds, stood at 4 per cent. It goes from 4 per cent to what is shown for the last government bond, due October 1, 1969 at an interest yield rate of 4.56 per cent. I do not know where the hon. member for Broadview gets his 4.9 per cent. It would appear evident to me from these figures that in actual fact short term loans are closer to an average of 4.3 per cent as the minister said last Thursday. His observations are reported at page 14057 of *Hansard*, and I am accepting his figures.

If one looks at the whole question of interest rates in the light of the formula this clause suggests, involving the 1½ per cent above the closing rates of short term bonds, and if one adds that 1¼ per cent to 4.3 per cent, the total is 6.05 per cent. So there is just argument in support of the amendment put forward by my hon. friend from Rosthern.

As the hon. member for Perth has suggested, interest rates have been fluctuating because of uncertainly in the financial market. Legislators do not panic. One of the first things we learn is not to react to a day to day situation. Conditions should be watched to see whether or not they return to normal, particularly interest rates. They may fluctuate a great deal from week to week; they may rise for six months. But eventually, through sound financial management, they may well return to normal levels. After a study of the formula suggested here, during what could well be conceived as the closing three months of the year, we might well say that a 6 per cent interest rate should be employed. If the minister could find himself in an agreeable mood, we on this side of the house would like to see him vote for the amendment proposed by the hon. member for Rosthern. If he cannot do so, we on this side, and myself in particular, would like to see the government move an amendment to (3)(a) where it says:

> —for the period commencing on the coming into force of this Act and ending on the 31st day of December, 1967, seven and one-quarter per cent;

I notice that as reported at page 3505 of the proceedings of the committee on finance, trade and economic affairs, the minister has this to say about an interest rate of 7¼ per cent:

> I am a little concerned that the ceiling which comes in at 7¼ might come down to 6¾.

He is concerned that with a ceiling fixed at 7¼ per cent under this legislation the interest rate might in fact turn out to be 6¾ per cent. That was on February 22. I have given a résumé of last week's closing interest rates on short-term government bonds. Now I invite hon. members to look at page 14057 of *Hansard* where the minister is recorded as saying that the average rate was 4.3 per cent. It can be understood why the minister is concerned that a ceiling set at 7¼ per cent might come down to 6¾ per cent.

• (8:50 p.m.)

What kind of legislators are we if we sit here blind to the facts? Interest rates were higher a month ago on short term bonds. They have since come down and for all we know may stay down. If the minister knows something different, then he should let us know. If he knows that 7¼ per cent is going to be the interim percentage he should tell us

the facts, so that we can pass legislation with our eyes open and not with our eyes closed.

I urge the minister to put himself in an agreeable mood and keep this committee well informed. We can only judge by the figures that are available. The ones we have show that short term interest is 4.3 per cent, and with the specified addition it will be 6.5 per cent for the next quarter. The Secretary of State for External Affairs is always in an agreeable mood. I can vouch that the Minister of Transport is always in an agreeable mood when he is trying to have legislation passed. And with this being centennial year the Secretary of State should be in an agreeable mood. I would hope those three ministers could convince their colleague to inform the house that interest rates are going to go up, that 7¼ per cent is going to be the halfway house between what is now the statutory 6 per cent and the 8 per cent after 1968.

The minister should read his own words as recorded at page 14057 of last Thursday's *Hansard* and then take a look at the formula in this clause. If he does so I believe he can accept the amendment moved by the hon. member for Rosthern. Interest rates play a great part in the rising cost of production. The cost of borrowing money is an important factor in inflation. No government wants to be branded as a high interest government. Governments like to be considered as being concerned with the problems of money borrowers. I know that deep down in his heart the Minister of Finance must be concerned about the people who borrow money, but under this clause he seems to suggest he is only concerned with the money lenders.

As recorded at page 3505 of committee proceedings No. 51 the minister admitted that he was concerned about this particular clause. I urge him to accept the amendment and, if he cannot, to come half way and be agreeable to a compromise.

The Acting Chairman (Mr. Richard): Order. For the information of hon. members who have entered the chamber since the amendment was moved I think I should read it. It reads:

That paragraph (a) of subclause (3), of clause 91 of Bill C-222, be amended to delete the words, "and ending on the 31st day of December, 1967, seven and one quarter per cent; and" and that the words "six per cent" be substituted so that paragraph (a) would then read as follows:

"for the period commencing on the coming into force of this act, 6 per cent; and further that paragraph (b) be deleted entirely, and that subclauses (4), (7), (8), (9), and (10) be deleted entirely, and that subclause (5) be renumbered subclause (4), and that subclause (6) be renumbered subclause (5)."

I would also remind the committee that the hon. member for Broadview has indicated he will have a further amendment, and also the hon. member for Compton-Frontenac. So that we may have some order I hope that hon. members who speak at this time will co-operate and direct their speeches to the amendment being proposed.

Mr. Sharp: Mr. Chairman, I begin by commending your advice to the committee. I believe it would be very helpful to the orderly consideration of this clause if we decided what to do about the amendment that has been proposed which in effect maintains the act in the form it is in today, namely with a ceiling on bank interest rates of 6 per cent.

I would remind the committee that this question was discussed at some length on second reading and in the committee on finance, trade and economic affairs. I would also remind the committee that the recommendation that the ceiling should be removed entirely was made originally by the Porter commission, which was appointed by the government that preceded us in office. I shall read just a few words from their principal recommendation. It gives the reason for the removal of the ceiling. These are the words I would draw to the attention of the committee:

—the ceiling stands in the way of flexible lending by the banks in that it frequently prevents them from making loans on which higher rates must be charged to cover administrative costs and risks. Obviously, this is to the banks' disadvantage; more importantly, however, it discriminates against borrowers such as small businesses which, if they are to obtain funds at all, must turn to other lenders which charge rates well above those the banks would ask if free to do so.

That, essentially, is the argument for removing the ceiling. This argument was supported by the Economic Council of Canada in its Second Annual Review, when the council said:

At the same time, the instabilities which have arisen in Canada's financial markets during the past year urge a careful reconsideration of both the needs and possible methods for improving and strengthening Canada's existing framework of financial institutions. More generally, to minimize distortions and instabilities in credit and financial markets and to ensure easier access by home-builders, consumers and small business to credit, various recommendations of the Royal Commission on Banking and Finance deserve careful attention—including measures to promote more competitive credit conditions and removal of the arbitrary 6 per cent interest rate ceiling which currently forces many small borrowers into loans at much higher rates.

Bank Act

• (9:00 p.m.)

Essentially that is the argument for removing the ceiling. I hope the committee will deal first with the amendment which has been proposed, which in effect restores or continues the 6 per cent ceiling. Then, if that should be defeated, perhaps we can discuss the second question concerning the form of the arrangement which might substitute for the 6 per cent ceiling.

Some hon. Members: Question.

The Acting Chairman (Mr. Richard): The hon. member for Villeneuve.

[*Translation*]

Mr. Caouette: Mr. Chairman, under clause 91 (3)(a), the minister proposes, as we already knew, because he just said so, to increase the rate of interest charged by chartered banks, that is, to remove the existing 6 per cent, so that banks will be allowed to charge 7¼ per cent for the period ending on December 31, 1967.

Yesterday, Mr. Chairman, the government succeeded in having the house agree, although not unanimously, to the principle of reducing bank reserves from 8 to 6.6 per cent, thus enabling all chartered banks to lend a total of $4 billion of new credit immediately.

Supposing that the bill is passed this evening, that banks decide to create tomorrow $4 billion of credit and that they are allowed to charge a 7¼ per cent interest. I wonder whether the minister does not fear inflation at this time. And at the very time when the government suggests the removal of the 6 per cent ceiling on the interest rate, the governor of the Bank of Canada is giving the following warning to the population:

Inflation threatens to cause serious difficulties.

And Mr. Rasminsky states:

You cannot get a quart of wine out of a pint jug.

Mr. Chairman, when banks loan, say, $4 billion or $2 billion, no matter what they create, they do not create at the same time the 7¼ per cent interest. Therefore, where will the government, the public institutions or the general public find the 7¼ per cent interest in order to repay both the capital and the interests at the same time? It is mathematically impossible, even if it is claimed that through rapid circulation of money, the point will finally be reached where payment can be made.

This always reminds me of the chap looking at a hollow log while a rabbit is running back and forth inside. How fast should my friend from Matapédia-Matane (Mr. Tremblay) run to make two rabbits appear at once, while only one is running back and forth in the log?

The play of interest and circulation of money is exactly like that. And that is why, Mr. Chairman, we cannot see how the government and the Minister of Finance can agree with the governor of the Bank of Canada who goes on to say:

Gross national product in money terms is estimated to have been more than 10½ per cent higher . . . However, two fifths of the increase was accounted for by higher prices.

And what is the cause of the higher prices? The increase of interest rates in almost all areas.

Looking back—

continues Mr. Rasminsky,

—it is clear to me that for much of the last two years, we have overloaded the economy.

The Minister of Finance tells us, for his part, that by increasing the interest rate, the small borrowers will be in a position to borrow more easily. This will enable the banks to lend more to those who need credit while the governor of the Bank of Canada tells the government: Great problems are liable to be caused by inflation.

Mr. Rasminsky continues:

The central bank and the government should have realized the danger earlier and aligned the credit and taxation policies to meet it.

[*English*]

Mr. Sharp: Mr. Chairman, may I ask the hon. member whether he is aware that Mr. Rasminsky supported the removal of the ceiling on the interest rates?

[*Translation*]

Mr. Caouette: So, in one place or the other, Mr. Chairman, Mr. Rasminsky lies. If he said the interest rate should be raised, he said exactly the opposite on March 13, 1967, according to the paper *Le Soleil* of Quebec. Mr. Rasminsky is not consistent for, on the one hand, he says the government should take the means to fight inflation and that one of the means of doing so is to see that credit is not too costly. If the hon. minister maintains that the governor of the Bank of Canada tells us we absolutely must allow the banks to raise their interest rate, then the governor of the Bank of Canada is not logical.

Mr. Chairman, can the hon. Minister of Finance and Receiver General tell us that as a result of the bill and this clause 91, which authorizes the banks to charge an interest of 7¼ per cent before December 31, and to increase their interest rate further in 1968, the rate of interest will not be 10 per cent even for the banks within the next few months? The minister tells us that it is essential to increase, or to allow the banks to increase, their interest rates in order to make the banks more competitive, because of the higher administrative costs. How much would it cost them to have the power to lend an additional $4 billion overnight to the good Canadian public, to the population, at a higher interest rate? Will the cost of administration be higher tomorrow than it is today? No. And nobody can afford the interest charged on this monetary creation.

• (9:10 p.m.)

Mr. Chairman, it is so true that those interest rates prevent the government from paying its debts that this morning's *Le Devoir* reported on page 10 that a $475 million bond issue had just been floated by the government of Canada. The minister is well aware that this $475 million bond issue is offered to the public so as to enable the government to pay back some debts it cannot pay now. Mr. Chairman, $475 million, is half a billion that the government undertakes to repay, partly in 1968, partly in 1973 and partly in 23 years and one month from today, that is in 1990.

Mr. Chairman, those amounts borrowed by the government will not help create jobs, but simply to pay off debts contracted perhaps some 15 or 20 years ago. Why? Because during the last 20 years we have been paying interest only, and interest has eaten up the whole capital borrowed 20 years ago, for the loans were made at 5 or 4½ per cent. Will the government find repayment easier if it borrows at 7¼ per cent? It now proposes to borrow at 4½, 5 and 5¼ per cent, yielding some 5.48 per cent—which means practically 5½ per cent—to maturity, on the last $125 million it wants to borrow.

Mr. Chairman, the government, Canada cannot continue in that direction. By permitting banks to increase their rates, does the government think it contributes to the development of Canada? In my opinion, the government helps the Canadian people mainly to flounder into a slough of debts and they will never be able to get out of it.

The only way the government knows how to operate is to borrow again to repay an old debt and at an increased interest rate at that. The interest rate the government is going to pay on that amount of $475 million is higher than before. And it is always the financial system which benefits and it is always the people who pay.

That reminds me somewhat of the story about an evening performance in which participated a kind of magician, an extraordinarily strong man, displaying feats of strength before his audience. At one point, he takes a lemon, holds it in his hand and squeezes it above a glass to fill it half-full. The strong man in question then turns to his audience, and offers the sum of $100 to whoever can get another drop of juice out of that lemon. A small man comes forward, steps on the platform, puts the lemon in question above an empty glass, squeezes it again and gets out half a glass of juice. Astonished, the strong man asks him: But who are you, sir? And the latter answers: I am the Minister of Finance at Ottawa. We know how to squeeze lemons.

At this time, the minister gives exactly the same treatment to the Canadian people.

Mr. Chairman, I do not intend to speak much longer about that matter. However, we strongly object to the interest rate being raised to 7¼ per cent and we will support the amendment moved by the hon. member for Rosthern (Mr. Nasserden) to keep it at 6 per cent. The Minister of Finance will waste his time if he tries to sell us that the banks will stop lending money if they can only do it at 6 per cent. The banks would do it at 5 per cent if the minister told them: "The interest rate is 5 per cent." The banks would also do it at 3 per cent if the minister told them: "It is 3 per cent". The banks would even lend money at the administrative rate, plus a reasonable profit. But in the banking field they do not look for a reasonable profit but for an exorbitant profit.

As stated yesterday by the hon. member for Lapointe (Mr. Grégoire), the skyscrapers the banks are building in Montreal, Toronto, Vancouver or Winnipeg have not been paid by the finance companies or financed by companies such as the Trader's Finance Corporation or Industrial Acceptance Corporation. No. They are financed with the money or the interest taken out of the pockets of the Canadian people, which constitute a profit for these chartered banks that have virtually not invested any money in that organization.

Mr. Chairman, the accrued interest enables them to take more money out of the pockets of Canadians, to deprive those who are building Canada, for the benefit of those who are exacting their pound of flesh. That is why we object to the increase in the interest rate and support wholeheartedly the amendment moved by the hon. member for Rosthern (Mr. Nasserden).

Mr. Grégoire: Mr. Chairman, I should like to support also the amendment moved by the hon. member for Rosthern in order to maintain the interest rate at 6 per cent.

I would like to use the answer given by the Minister of Finance and Receiver General (Mr. Sharp) himself, to the committee on finance, trade and economic affairs, on Monday, February 6, 1967. As recorded in the proceedings and evidence of the committee on finance, trade and economic affairs, volume 43, page 3012, in answer to a question asked by the hon. member for Compton-Frontenac (Mr. Latulippe) the Minister of Finance and Receiver General said:

The process of credit creation is a familiar one. The banks make loans.

Now then, Mr. Chairman, whenever banks make loans, they create credit. According to the very statement of the Minister of Finance and Receiver General, what banks lend is money they create. Now if the banks lend money they create, that money does not cost them anything. If a bank creates $100 and that $100 does not cost it anything and if it charges a 6 per cent interest, it makes a net profit of 6 per cent, since that money does not cost it anything. It does not cost the bank anything, since it is money it creates. The Minister of Finance and Receiver General admitted that himself and I will read his answer once more:

The process of credit creation is a familiar one. The banks make loans.

It is credit creation and the banks lend money they create. Therefore, that money does not cost them anything.

Let us see what happens in the case of trust companies, savings banks or caisse populaires. Well, conditions are entirely different. When the caisse populaire wishes to lend money, it must first of all have a deposit. It pays an interest on such a deposit, then it lends it at 6½ or 7 per cent interest. And it is only the spread between the two that represents its profit. On the other hand, whenever the chartered bank lends money at 6 per cent, it is the whole 6 per cent which constitutes its profit, since it is money it creates, as the Minister of Finance and Receiver General admitted himself before the committee on finance, trade and economic affairs. In fact, he said this:

The process of credit creation is a familiar one. The banks make loans.

Banks grant loans and the minister admits that in granting loans, they create money. Therefore, they lend credit and money which does not exist, and this costs them nothing but they make a 6 per cent profit.

No other organization in Canada or in the world can do the same. The caisse populaire charges 7 per cent interest because it starts by giving 4 per cent to its depositors, while the chartered bank creates money to lend it; it does not pay interest on the money it lends. That makes all the difference in the world. And this is the reason why I find that this idea of allowing banks to increase the interest rate, while allowing them in advance to create the money lent, is an abuse on the part of the Minister of Finance. He is giving to the banks too many privileges.

There is another argument in favour of the 6 per cent interest. At present, under section 91 of the act, the situation has become more complicated. According to section 91, the interest rate is established at 1¾ per cent, plus the average of the market-yield on short term bonds of Canada. And that rate is computed quarterly for a period of three months.

That amounts to saying, Mr. Chairman, that every three months, that is on December 31, March 31, June 31 and September 31, after working out their computations, the banks may change and vary the interest rate charged to their customers.

• (9:20 p.m.)

In that case, the citizen who deals with the banks will never have a chance to know what rate of interest the banks charge unless he inquires once every three months.

This will bring the following disadvantages: just before each new trimester, should the banks find out that the average yield of government bonds has increased substantially during the preceding quarterly period and that this will enable them to raise their interest rate for the next one, they will stop granting loans for the rest of this period and await the next one, where the interest rates will be higher. This means that for some seven, eight or 10 days, banks will arrange the restriction on credit so as to draw a better

profit on the credit created at the beginning of the next three-month period.

This will also mean, Mr. Chairman, that the banks will no longer be interested in giving loans for a longer term than three months because, if the market were to improve or if the interest rates were to increase in the following three months, all the money lent before this period would bring in less than money lent after these three months.

And if the banks decide that they had better not make loans for a longer term than three months, in order to benefit from increases in the interest rate every three months, they will then reject a whole category of loans, such as mortgage loans, loans to finance the purchase of furniture, and so on.

Now, we are also told, Mr. Chairman, that when government bonds have reached the 4½ per cent level, for a three-month period, restrictions will be removed and banks will then be free to make loans at any rate of interest.

That aspect had not escaped the Minister of Finance when he introduced this bill nine or ten months ago, at a time when rates were very high. Today, banks seem to lower deliberately their rates in an effort to bring back the average yield of short-term government bonds to 4½ per cent so that the ceiling on interest rates may be removed.

But on the day—and it might come soon—when the average return on government bonds stands at 4½ per cent, then the limits on the interest rate will be abolished and the banks will be able to make loans at whatever rate they choose, 4, 8, 9 per cent.

That is why I say that various methods should not be used to calculate the interest rate for banks; it should be a fixed rate and 6 per cent seems reasonable in view of present market conditions. That is why we will support the amendment moved by the hon. member for Rosthern (Mr. Nasserden). I support it not because I agree with the rate of 6 per cent or because I find it reasonable, but because I prefer to see the banks kept to a fixed interest rate rather than allowed to increase or decrease it as clause 91 enables them to do.

Only, I think that even at 6 per cent, it is an unreasonable charge for the banks on the money that they create. It might be a reasonable rate on the money they have on deposit, but not on the money they create, and I think there will be an amendment about it, later, upon which I shall also express my opinion.

In regard to the present amendment, after what I have just said, I think that parliament would not act cleverly if it left the banks the privilege of varying the interest rate as they wished, and that it is preferable to determine this interest rate once and for all. This, I think, will be the purpose of the amendment presented by the hon. member for Rosthern, and therefore, I shall second it.

[*English*]

The Acting Chairman (Mr. Richard): Is the committee ready for the question?

Some hon. Members: Question.

Mr. Peters: Mr. Chairman, I should like to say a word or two on this amendment. I would recommend it to all members of parliament who are interested in retaining a reasonable level of interest at which persons can borrow money. I would also ask those interested in the borrowing of money by the average person to consider several propositions which I shall put forward. It seems to me that with regard to short term borrowing that now takes place under the Bank Act, namely at 6 per cent interest, we have found the government reluctant to make the act effective. In a number of ways we have found that the banks are not lending money at 6 per cent but in most cases at a very much higher rate of interest. It is therefore surprising to me that the committee should agree to allow even short term borrowings from the bank to be subject to an interest rate beyond 6 per cent.

In my opinion it was a fallacy when we enacted legislation to subject overdrafts and the right to borrow from the bank to an interest rate of 6 per cent without a provision for premiums and subsidies being paid on that 6 per cent. It seems to me that we really changed the interest rate without changing the law. I was surprised to go into a bank and to find the bank manager, when I asked if I could borrow money at 6 per cent for a specific purpose, say, "No, that is not the rate we get." I asked him whether it was not true that, the bank rate being set at 6 per cent, he would have to charge only 6 per cent. He said, "No. I will tell you what the rates are for all the banks." He pulled out from his desk a slip of paper and indicated to me what the rate would be at every bank at that particular time. This rate changed from week to week. He could tell me whether there was any advantage in borrowing money from the Bank of Nova Scotia under the small loans legislation, whether it was wise to borrow

from the Canadian Imperial Bank of Commerce, or whether I should go across the road to the Royal Bank. I found that in no case were they talking about loans with an interest rate of 6 per cent.

In my opinion the 6 per cent loan legislation has not been in effect for probably a long time. I think it is safe to say that all the banks have found ways of getting around the 6 per cent interest charge, and they will probably continue to do so. For the government to get pushed into the position where it cannot enforce the legislation and has to allow big business to dominate the legislation of this nation, and is not able to amend the legislation to provide a ceiling of 6 per cent on certain types of borrowings from the banks, seems to me to be an odd position for a government to find itself in.

I have listened to this business about the banks being poor. I would suggest that the banks are certainly not poor. I know of one case where I was very concerned about the difficulties in which a finance company might find itself. I found that this finance company, if it ever went bankrupt, would take with it two of the major banks of Canada. The banks are lending money to the finance companies and the finance companies are lending that money at 28 per cent or 29 per cent interest. The banks own the finance companies. Therefore, in effect the banks supply the money to the finance companies and there is no money left at an interest rate of 6 per cent. Why should there be? Why should there be any money at 7 per cent for a farmer who wants to borrow when his collateral is not sufficient to cover the loan? The banks do not want to take any risk, and therefore there will not be any money available to the farmer even at an interest rate of 7¼ per cent. What bank will lend money on a federally guaranteed bank loan at 5 per cent for farm improvement? The bank manager would be fired if he lent money at 5 per cent when he could obtain an interest rate of 10 per cent on it through one of the finance companies. Any bank manager would be in trouble if he made loans of any size without taking full advantage of the money market.

• (9:30 p.m.)

I think the government should be in a position to come before parliament to enact legislation that would provide money to those who need short term loans with a 6 per cent ceiling of interest. I refer to the chartered banks of Canada. I believe we should make an exception with respect to mortgage money, because mortgage money has not been available for some time, and will not be available in the future, at an interest rate of 6 per cent. Probably an interest rate ceiling of 8 per cent on first mortgages would provide a reasonable return for loans made in this respect. I think there are many banks and many insurance companies that would get back into the housing field and eliminate the difficulty in which the government finds itself in raising mortgage money for housing. I believe, too, that the interest rate on consumer loans covered by collateral should be limited by the government to 12 per cent. No one imagines that the loans that are made by the finance companies are going to be made at 12 per cent. I believe if the banks were allowed to charge 12 per cent on chattel mortgages they would be able to cut immediately into the small loans business of the finance companies. This would eliminate what no one can doubt is profiteering and gangsterism or stealing of money from people who cannot afford to borrow from other institutions. These finance companies charge 25 per cent interest and all the while hang on to the kitchen sink or the refrigerator in order to see that they get their money.

In my opinion, Mr. Chairman, when the minister raises the interest rate to 7¼ per cent he is giving in to the banks. Every time I feel that the banks may be hard up I take a look at the new buildings they are constructing; I take a look at their expansion. I should like to be smart enough to be able to examine the financial structure of the banks and their relationship to other financial institutions, including the hundreds of insurance companies they are financing. I suggest that if one were sufficiently competent to make this examination he would find a close relationship between the directorates of finance companies, banks and probably 50 other companies. These companies in fact control the Liberal government, control this parliament and control the financial institutions of this country. They make it impossible for us to pass legislation that will allow the little guy to go into the financial market and borrow money at a reasonable rate, which will enable him to repay his loan in 20 years without increasing the amount of the original loan by 100 per cent.

If the average worker earning $3,000 or $5,000 buys a home for $25,000 today even at the rate of interest Central Mortgage and Housing Corporation charges, that house does

not cost $25,000 but $60,000 by the time he repays the loan. I suggest it is bad business for any worker to go into debt to that extent. This does not represent 25 per cent of his income; it represents all of his income for the rest of his life. It is my opinion that members of parliament, if they are really representing the majority of the people of this country, if they do not represent the financial institutions and if they do not recall who made financial contributions to their election campaigns, are surely going to provide banking institutions that will allow people to borrow mortgage money at a reasonable rate of interest. This should be done, even if the government itself has to get into the banking field as some members have suggested. I suggest that members who think they are going to bring down the cost of living by sitting in judgment when prices go up, and saying it is the fault of this one or that one, should take a close look at this government's action in increasing the interest rate by 1¼ per cent.

The provisions of this bill uphold the unfairness, the dishonesty that has been taking place in banking institutions. A businessman may borrow $50,000 but he has to put $10,000 in an account and continue to pay on the $50,000. The bank will use that $10,000, so the borrower really only gets $40,000. The interest rate may be 6 per cent, but if anybody is smart enough to calculate how much interest that borrower really pays, then I feel we should think about that. Surely, in this country we can make a division between the risk borrowing that the banks had to undertake in the past when they went into the mortgage field so deeply. For instance, a few years ago the federal government had entered the mortgage field to such an extent that 40 per cent of the housing constructed in this country was constructed under federal loans. The government got themselves out of that field, but they were not replaced by lenders in the private sector. I am sure that the 7¼ per cent is not going to provide this type of lending. Surely, we are going to have to take a look at some of the things that will permit us to arrange our financial institutions in such a way that people can make short term loans at 6 per cent, which will mean more than doubling the amount of the loan in 20 years, and at the same time allow these financial institutions to make a profit.

I think we should give consideration to some of the other types of banking in which our banks should indulge, but which are not occurring now. Does the Minister of Finance never look at himself at night in the mirror, when he has returned from a walk downtown where he has seen these trust companies erecting new buildings one after another? Does he never wonder what he is doing which is permitting these companies to construct these buildings? There are so many trust companies downtown that they will give you a piece of silverware if you make a deposit, or they will give you a set of coins. Most of the buildings on Sparks Street today are owned by trust companies that were unheard of 10 or 12 years ago. These buildings have been erected with the money the companies have obtained from people who desired loans. The money that was lent was borrowed from the banks. I am sure that the directors of the trust companies are not unrelated to the directors of the banks. It is not difficult to transfer money from one place to another, and then lend it out at twice what it cost you.

I suggest, Mr. Chairman, that the people of this country are going to be looking at this legislation and wondering what happened to the members of parliament who failed to give any protection to the little person who has to enter the mortgage field. I am sure those people are going to find this legislation wanting in protection for the borrower, under ideal conditions, that is if he really did not need the money badly but was going to substitute it for his assets and repay it at 6 per cent interest. We know this type of borrowing is very limited, but people should be able to borrow under these circumstances when the need arises without having to pay the higher rate of interest which we are setting by the passage of this bill.

The Acting Chairman (Mr. Richard): Is the committee ready for the question?

• (9:40 p.m.)

Amendment (Mr. Nasserden) negatived: Yeas, 38; nays, 54.

Mr. Gilbert: Mr. Chairman, I indicated that I would be moving an amendment to clause 91. The amendment is as follows:

That Bill C-222, an act respecting banks and banking be amended by striking out lines 3 to 18 inclusive on page 79 thereof and by substituting therefor the following:

"or advance referred to in subsection (2) is,

(a) for any part of the interest period ending on the thirty-first day of March, 1967, 6 per cent; and

(b) for any part of an interest period commencing on or after the first day of April, 1967, one and three quarters per cent plus the average of the market-yield on short-term bonds of Canada

for all Wednesdays in the averaging period immediately preceding such interest period, calculated to the nearest one quarter of one per cent or, if the result would be equidistant from two multiples of one quarter of one per cent, to that multiple thereof that is the lower."

Mr. Chairman, this was the amendment which was brought forward by the Minister of Finance when he introduced the bill in July 1966. Through this amendment the minister persuaded many members of his party to reach his compromise position. A great deal of pressure was put on the minister to lift the ceiling completely, and this was the formula that he devised to overcome the difficulties within his party. We have seen the fluctuations of the interest rates from July 1966 until the present time. The hon. member for Acadia had attempted to quote the rates on government bonds. However, he was quoting the rates on long term government bonds rather than on short term government bonds. At present the rates on short term government bonds are 4.9 per cent. If you were to add $1\frac{3}{4}$ per cent, the rate would be approximately $6\frac{3}{4}$ per cent. We must be realistic with regard to the interest rate. This was the proposition which the Minister of Finance advanced at the time he introduced the bill. He indicated that it was necessary so as to improve the competitive position of the banks in the business world. Their plea was that the rate did not meet the demands of the business world. We have found that the rate of 6 per cent was not being applied by the banks through the use of services and charges that were being imposed.

All I am asking is that the minister revert to the original position which he took in July, 1966 and give his formula a chance to be tested and applied. Let me say again that we should not bind ourselves to a decennial revision, but that we should review the situation in one or two years time.

Mr. Sharp: Mr. Chairman, I think the committee should have some explanation of the amendment that has been proposed. As the hon. member for Broadview has just said, the government introduced the clause in the form that he has now recommended as an amendment to the report of the committee. When the bill was before the committee on finance, trade and economic affairs there was a long discussion about the formula. At that time I said—and I know hon. members will be able to verify this—that I did not think this was a matter of vital importance and that I was not pressing for any amendment, but that if the purpose of the legislation was to move towards freedom, that is to provide for a transitional period followed by complete freedom—which was certainly the purpose that the government had in mind in introducing the legislation—then I thought there was a good deal to be said for varying somewhat the formula that had been put forward in the original bill.

One of the hon. members has quoted the remarks which I made at that time when I said that the ceiling could drop from $7\frac{1}{4}$ per cent to $6\frac{3}{4}$ per cent and that I had some concern about this. The reason I had concern about it was that we could probably get ourselves into the farcical situation that at the outset the ceiling would be set at $7\frac{1}{4}$ per cent, it would then decline to $6\frac{3}{4}$ per cent and then be removed completely, so that we would have this quite useless fluctuation in the ceiling when the whole purpose of the exercise was to provide a transitional period and then move to freedom. That was the context in which I made this explanation, as the hon. member who drew attention to it will confirm.

On the whole I am inclined to believe that the variation of the ceiling formula proposed by the committee is superior. This was not my particular formula; it was worked out by the committee acting jointly. The original questions were raised, I believe, by the hon. member for Regina City or by another member of the Conservative party who participated very actively in the committee. I believe the hon. member for Nanaimo-Cowichan-The Islands recognized the nature of the problem, even if he did not support the amendment—

Mr. Douglas: He opposed it.

Mr. Sharp: Although he never said what he would do.

Mr. Douglas: Mr. Chairman, on a point of order. I understood the hon. member to have stated that he asked the committee chairman to record his opposition to that amendment. I state this for the record.

Mr. Sharp: It really does not matter what position the hon. member for Nanaimo-Cowichan-The Islands took, but I do think he recognizes the anomaly if the formula were to work in the manner I have described. I wish to remind the committee that it was the hon. member for Nanaimo-Cowichan-The Islands who did something very unusual in this house. He admitted that he had been persuaded by some of the discussions that had taken

place in the house to change his mind about the ceiling. Let me again quote to the house his words on second reading when he said: "There are compelling arguments for the removal of the 6 per cent limit". I believe this was the spirit in which that hon. member worked in the committee. He took an objective, non-partisan view, and for this I give him full credit. I believe that he continued to take that position even in relation to the formula for the ceiling.

Briefly, Mr. Chairman, I believe that it would be in the interest of the borrower and it would be in the interest of an orderly transition to freedom, which has been so strongly recommended by all of those who have made a thorough study of the situation, if we were to adopt the committee's report.

Some hon. Members: Question.

• (9:50 p.m.)

Mr. Horner (Acadia): I should like to say a word or two on this matter. I am particularly interested in what the minister has just said. In essence this amendment is one I had suggested ought to be moved. It allows for a short transitional period.

Perhaps, by oversight, the minister completely dodged the issue I raised about a floating interest rate on short-term loans. I want to know, everybody in Canada wants to know, where we are going. We are talking about interest rates; where are we going with interest rates. If the minister expects the bill to be accepted, then the transitional rate of 7¼ per cent has to be accepted. What will be the position, ultimately, if the 7¼ per cent rate is transitional? One can only assume that the final rate will be close to 8 per cent. I cannot believe that the Canadian public will agree to this 8 per cent interest figure.

In spite of everything, banks are not doing that badly that we have to allow for this great increase in the interest rate.

Miss LaMarsh: Now, now; the hon. member will never make a leader.

Mr. Horner (Acadia): I heard a comment from the Secretary of State, but I did not hear it all. If she wants to make a speech she is welcome to. I have found her easy to get along with.

Some hon. Members: Hear, hear.

Mr. Horner (Acadia): She is prepared to compromise on definitions.

Miss LaMarsh: Now, now.

Mr. Horner (Acadia): The question confronting the Canadian population is, where are we going. We have seen increased taxes, increased interest rates affecting home construction. We have seen this government coming in with a major breakthrough, providing for increased interest rates on farm loans. Even the Farm Credit Corporation has increased its rates over the 6 per cent figure. One can only assume that this government is a high interest government. High interest rates affect the cost of production.

Some years ago, and I speak of 1961, 1962 and 1963, we found ourselves in an advantageous position because of the devaluation of the dollar, which gave us an 8 cent advantage in world trade. The governor of the Bank of Canada in his annual report sounds the warning that if we are not careful we shall cause increases in costs to take place. I do not know the exact page on which he states this, but he says that we must be careful, that we have overloaded our society because costs are increasing more rapidly than in the United States. The United States, it must be remembered, is fighting a war in Viet Nam.

Is there any justification for the Minister of Finance to say that the committee in a genial mood agreed that in the light of everything the interest rate of 7¼ per cent was justified. Is it justified in the light of government spending, increased interest rates affecting house construction, farm loans, even farm syndicate loans, to say nothing of increasing the sales tax from 11 per cent to 12 per cent for manufactured goods?

I point out that the 12 per cent tax on manufactured goods was applied at the place of origin of the goods. Talking to builders, and contractors all across Canada before the price spreads committee, I learned that the 12 per cent, when multiplied through the various trades, ended up by being 25 per cent. One can only assume that this government is blind to what it is doing to the Canadian public. It is a high interest government, a high cost government blind to inflation.

It is all well and good for the minister to say that the committee reached the agreeable conclusion that the 7½ per cent interest rate is justified. It is not justified. The committee's job is to solicit evidence, not to reach conclusions. We, as legislators in this house send various members from each party to a committee; that committee solicits and hears evidence. That evidence must be made available; but any judgment shall be reached through debate in the House of Commons, where everybody—those who have served on the

committee and those who have not—can participate in the discussion.

May I call it ten o'clock.

Mr. McIlraith: Mr. Chairman, may I ask that you rise and report progress for the purpose of asking the committee to continue sitting for another hour?

Progress reported.

Mr. McIlraith: Mr. Speaker, I would ask the house to continue sitting for another hour, to get on with the bill.

Some hon. Members: Agreed.

Mr. Deputy Speaker: Does the house agree to sitting for another hour?

Some hon. Members: Agreed.

BANK ACT

DECENNIAL REVISION AND EXTENSION OF CHARTERS

The house resumed consideration in committee of Bill No. C-222 respecting banks and banking—Mr. Sharp—Mr. Batten in the chair.

Mr. Horner (Acadia): Mr. Chairman, I intend to speak for only another few minutes. I intend to make clear to the Canadian taxpayer, the Canadian voter and to the Canadian public generally just how badly the Minister of Finance and his cabinet colleagues are disregarding the facts affecting our economic society.

Here we have an important piece of legislation; we have an amendment which would, in effect, provide for the 1¾ per cent addition formula. This would affect interest rates from April of 1967 on. We see, looking at the Wood-Gundy Securities Limited report for the week ending March 17, 1967, that the average interest rate yield on government bonds ranged from 4 per cent to 4.7 per cent. Averaging this out, as the minister did on page 14057 of *Hansard* for last Thursday, we can come to the conclusion that the average short term interest rate today in essence is 4.3 per cent. Taking the 1.75 per cent and adding it to that we arrive at a 6.05 per cent interest rate.

There is absolutely no justification for the 7¼ per cent rate for the interim period. I listened to the hon. member for Broadview on the amendment he sought to move. His is almost the same amendment I had intended moving. I listened carefully to the minister, and he at no time said that the 7¼ per cent rate was too high. He said it was the interim rate, and that once we are working on the flexible formula things will take care of themselves. I can only reach the conclusion that once we work under the flexible formula of 1¾ per cent plus the short term bond rate that the rate in Canada will eventually reach 8 per cent.

• (10:00 p.m.)

If this is so, the minister should serve notice that he recognizes the course he is taking and is prepared to support it. First, this government has increased taxes. Second, it has increased the cost of housing construction. Third, since it came to office it has increased the cost of farm loans as well as interest rates generally to farm syndicates. Fourth, it has increased rates under the National Housing Act. Fifth, it has imposed an 11 per cent sales tax on building materials and manufacturing machinery. The last budget increased this to 12 per cent. Remember, this tax is placed on the original goods, so it amounts to a 25 per cent tax to the consumer, as we were told by an Edmonton contractor who gave evidence before the committee which is studying the question of the cost of living to the Canadian consumer. This man had been responsible for the erection of a huge building. Forty trades worked on it and each added the 12 per cent sales tax to its cost before counting profit. This is the practice in the industry. So the eventual cost of the sales tax to the consumer is 25 per cent.

If the minister continues to stumble along, refusing to accept amendments such as this, I can only conclude that government policy today is one of high interest, high taxes and high costs. I believe this needs to be repeated again and again because the minister seems unaware of what he is doing to the Canadian people. Here we have an amendment which accepts the minister's formula of one and three quarters plus the market yield on short term bonds. In essence this would provide the banks with an adjustable interest rate.

When the interest rate goes above 5 per cent clause 91(9) will come into effect and in essence we will have a 6.75 per cent interest rate. By right today the interest rate would be 6.05 per cent if the amendment were accepted. But the minister says he cannot accept it even though, as recorded at page 3505 of committee proceedings No. 51, he expressed concern about this provision. Since then he has returned to this dogmatic position that high interest rates are necessary. He is not even paying attention to his own words,

as recorded at page 14057 of *Hansard*, that there has been a drop from 5.20 per cent to 4.30 per cent.

The minister has become blind to the effect of high interest rates on our society. The governor of the Bank of Canada has warned us, in his 1966 annual report, about pricing ourselves out of world markets. I urge all hon. members to support this amendment. I urge government backbenchers to protect their own cabinet ministers. If they vote for this amendment they may stay in office a little longer. If this provision stands I hope the Canadian public will say, "Enough, enough. Let us go no further with a high interest rate government".

Mr. Chrétien: Is the hon. member aware that the committee was persuaded to do this by the hon. member for Regina City?

Mr. Horner (Acadia): I am not prepared to admit that. The minister appeared before the committee and his evidence appears, starting at page 3502 of volume 51, continuing on to page 3503, and it was his suggestion that 7¼ per cent be the interest rate for the interim period.

Mr. Langlois (Mégantic): I do not wish to delay a vote on this amendment. I agree with it, but would like to express my views on it, particularly the first part which aims to retain an interest rate ceiling of 6 per cent.

• (10:10 p.m.)

I have listened attentively today to some of the discussion, particularly in respect of clause 91, and I cannot help but agree with most of the hon. members who spoke. I have made a note of some of the arguments brought forth by the hon. member for Acadia, and particularly by the hon. member for Timiskaming who made some true statements concerning the effect of the interest rate and who also gave a pretty clear picture of the banking situation which prevails across the country at the present time.

I am strongly opposed to the raising of the interest rate. When the Minister of Finance brought in his mini-budget I remember the intention at that time was that it would curb inflation and the rising cost of living in this country. I cannot understand how the minister can turn on the gas with his left hand, and then with his other hand turn another valve. This is the way in which he has been operating. I remember when he brought in his mini-budget the minister was talking about the boom, and that we must slow down but must not break the boom. With one breath he says one thing and then with another breath he says something else. The minister seems to have this ability, to switch from one side to the other.

I told the minister at that time that when the appropriate measure came before us, if he intended to place restrictions across the board he should not forget to take action to lower the cost of living. We are not stupid; we know that the entire production of Canada is financed through the banks, if not directly at least indirectly. The interest rate is reflected in the cost of production and in the retail price, no matter how we look at it. The minister may attempt to tell me a different story, but he cannot fool me. If he should try to make the people believe a different story, then I do not believe he would be fooling them either. Whenever the interest rate increases, the cost of production increases.

The representatives of the banks say that if they had an interest rate which would be more competitive they could lend more money. This is utter nonsense. Representatives of the banks have appeared before the committee and have spoken to different members. When the officials of the Laurentide Bank appeared they told us their bank would be a bank for the small loan borrower. They said that they wanted to help the smaller borrower. They said that the other banks are not helping these people. At that time I told them that the only reason they appeared before members of parliament to ask for a charter for this Laurentide Bank was that they wanted to obtain more credit for the Laurentide financing operations. That was the reason they appeared before us with the same singsong we hear from every chartered bank.

I do not believe for a moment that by increasing the interest rate to 7¼ per cent we will be helping anybody in this country. This will place the banks in a better bargaining position among the other financial institutions. We are not by act of parliament at this time permitting the mortgage companies, the trust companies, the finance companies or the insurance companies to increase their rates. What we are doing is allowing the banks to put themselves in a position of saying to these various lending institutions that they can now get 7¼ per cent on small loans. This will mean they can withhold more money from these other financial institutions. Obviously they would sooner make 100 loans of $1,000 at the higher interest rate than one loan of $100,000 to one of these financial institutions. They are then in a position where they can tell these companies to look elsewhere for their money.

I fail to understand why members of parliament do not open their eyes to this situation. They should pay a little more attention to what is happening. The chartered banks at this time are the only financial institutions in Canada permitted to create credit in any real form. Other financial institutions must borrow their money from the chartered banks.

The presently proposed increase in interest rates will not in any way assist those individuals who are forced to make small loans. If anyone is not convinced of the fact, let me refer him to what has happened in respect of the Central Mortgage and Housing Corporation. That corporation began making loans at a rate of interest which varied between 2¼ per cent and 3 per cent. It is still making a profit because it is still in operation.

I should also like to know why chartered banks do not have to pay a similar initial interest rate on the money they lend. They are creating credit with the use of money for which they are not paying as high an interest rate. Why should the chartered banks be empowered to make loans by using money for which they pay less? If the banks are poor they should come forward and say they are starving, and require this increase in interest rates in order that they will be able to make loans.

The passage of this measure will put chartered banks in the position of refusing to provide money to these small lending companies. They will indicate to these companies that they also can make small loans at a higher rate of interest than they would receive on the money they could provide to these companies. Perhaps it would be wrong to suggest that this is a form of blackmail, because the banks are being given the authority to do this by an act of parliament. Surely the net result of this increase will be an increase in the cost of living in this country, just as the 11 per cent sales tax on construction materials has caused an increase in the cost of living.

• (10:20 p.m.)

We have seen interest rates rise all across the country. To now open the back door to all financial institutions to raise their interest rates will cause a general increase in the rate charged by all financial institutions across Canada. What will happen to the cost of living? If you raise the interest rate 1 per cent at the production level, when it comes to the retail level that rate has increased to 5 per cent. If you do that twice, you are increasing the rate to 10 per cent. Will this help the consumers of this country? Will we assist in reducing the rising cost of living if we increase the interest rate on loans from the banks?

This government certainly has a tendency to cause difficulty. The only group this provision will help will be the banks, period. We may say we are entering a more realistic financial situation and our financial institutions will be more competitive with each other; but you cannot separate the directors of the chartered banks from the directors of our finance companies. You find that if you look at the directors of the banks and those of the finance companies, they are sometimes the same guys. If you go to the directors of mortgage companies, you find the same guys. This also applies to some of the major producing companies of Canada. You see the same faces in these fields.

Some figures were given to us in the committee in this respect. We learned that those who were directors of the banks and were also directors of these companies were concerned with a total of about 30 per cent of bank loans. One realizes what a fantastic amount of money this involves when in a friendly, family sort of way the same people are involved in the same interests. I do not have to go too far to illustrate my point. You can go across to the other place and find out how many of our distinguished senators are sitting on the boards of major financial institutions and companies in this country. You can look at those in the House of Commons. There is one cabinet minister who was a director of several companies. I remember that when he was appointed a cabinet minister he was a director of many companies. He was a good businessman, and I have nothing against him for this. But I realize that his companies involved a turnover of $14½ billion in one year in production. This is approximately one quarter of the total Canadian production.

He is a very prosperous man. He exercised a great deal of control and had a great deal of say-so in these companies. He had much more say-so in this respect than the small individual who has to borrow from this type of company. Often a bank refuses a small loan to an individual because the work in which he is engaged does not produce enough money and a great many guarantees are involved in giving him a loan. Often the bank manager says to this person, "I do not think we can make this loan; go and see the finance company". The loan at 6 per cent interest is refused by the bank. This person goes to the finance

company and borrows the money he needs at an interest rate of 24 per cent, 27 per cent, 28 per cent or 30 per cent. Depending upon whether he has a little difficulty in meeting one or two payments, the interest rate may reach 35 per cent before the loan is paid off. How is it that his name is good when the interest rate involved is 35 per cent, when it was not good when the interest was 6 per cent? I will tell the committee why. It is because the bank was not interested in collecting 6 per cent interest. They knew damned well they would collect 35 per cent the safe way, because these finance companies have the same directors sitting on their boards as the banks. If the minister and his colleagues are not afraid to admit this, I am sure they would see the truth in what I have said.

This is one of the most important pieces of legislation to go through this parliament for years. This legislation has to be revised every 10 years, and now is the time to consider it seriously and not after it has been passed. I agree entirely that the amendment before the house, if it will only curb the rising cost of living that now faces this country, is well worth while. But I do not for a single moment believe that if we were to increase the ceiling of the rate of interest to 7¼ per cent we would help solve this situation. I do not believe that passing this legislation would in any way assist the individual who wishes to borrow a small amount of money. It will just give the chartered banks a better bargaining position with these big financial institutions.

The banks are not suffering. One just has to get out and see where the banks stand with regard to new buildings. I think many of the Canadian people are faced with more serious financial crises than the banks will ever have. If the banks ever reach a period of real hardship, there will be a lot more hollering on the part of the public than we are hearing now. They are in good financial condition at the present time. The banks control the whole system, and they not only control the system but they control the government. We can see this from the legislation the government is bringing before the house.

We saw the Minister of Finance introduce his mini-budget, and he was just about in tears. It was the only time I did not see a smile on his face. He was begging the Canadian people to be understanding and to make every effort to save the Canadian economy, to stop the boom before there was a bust. The people were asked to tighten their belts in order to cut down the cost of living. The minister came in with taxes here and taxes there. We now have the bank bill before the committee, and what is the minister doing to reduce the cost of living? He is permitting the banks to increase the interest rate which will increase the cost of production in this country. It will affect everything. The minister does not speak, he just bows his head. One can only judge that the master has spoken and the servant has listened. If the minister wants to be a servant, then certainly I do not want to be a servant, and for this reason I will support the amendment.

The Acting Chairman (Mr. Richard): Is the committee ready for the question?

Mr. Gilbert: I have only a few minutes in which to reply to the Minister of Finance, but we feel it is necessary in view of his remarks. He stated that primarily the formula he presented was for a transitional period. One of the big surprises he got was when he went to the committee, when he thought the formula probably would still apply. However, he found that the persuasiveness of certain Progressive Conservative members placed him in a position where he could free the interest rate immediately. He took advantage of that position. This is the reason we have the amendment today which imposes a 7¼ per cent interest rate to the end of December, 1967.

In view of what is happening today with short term government bonds, it is obvious that at the end of December there will be no interest rate applying. The banks will have full freedom to determine the rate. This will mean that from now until the end of December we would have ceiling of 7¼ per cent, but after December the banks would be free to set the rate. The rates on business loans would range between 8 and 8¼ per cent, while on consumer loans the rate will probably increase from 12 per cent to 14 per cent. The rates on mortgages will probably be in the neighbourhood of 8½ and 8¾ per cent.

• (10:30 p.m.)

The hon. member for Nanaimo-Cowichan-The Islands recognized the situation and took a realistic approach. We agreed with that. However, the approach the minister has taken, by almost immediately freeing the interest rate at the end of the year, is not an approach with which we could agree. This is the reason why we are asking the minister to revert to his original position of July, 1966 when he so ably persuaded the members of

his party to accept this formula. We are prepared to accept it for a period of two years after which it would be reviewed. At that time we would be able to bring forward a more positive policy with regard to interest rates.

Some hon. Members: Question.

The Acting Chairman (Mr. Richard): Is the committee ready for the question?

Amendment (Mr. Gilbert) negatived: Yeas, 24; nays, 59.

[*Translation*]

Mr. Latulippe: Mr. Chairman, at this stage in the consideration of Bill No. C-222, we still have something to say. We have an amendment to move on the interest rate.

A while ago we had the pleasure of voting with the Conservatives to maintain the interest rate at 6 per cent. Unfortunately, I think some Conservatives who are in cahoots with big finance went into hiding and did not vote. That is why the amendment was defeated.

Mr. Chairman, I do not know whether there is some joking in this house or whether people are serious. Had the Conservatives been serious, they would certainly have voted on this important bill.

They want the people to believe they are working for them, that they are on their side, but they are against them. We on this side of the house, Mr. Chairman, are with the people and we can certify we are with them. Whenever we move an amendment, we are here to vote, even if we are few in number. We are not in such great number as the Conservative members, but our amendments are moved with conviction and by true representatives of the people.

As regards this clause 91, it is felt that the profit margin and the stock increase are not sufficient, with an interest rate, the ceiling of which is set at 6 per cent. Now, if we remove the ceiling and if the rate of interest goes up to $7\frac{1}{4}$, 8, 9 and even 10 per cent, and perhaps up to 12 per cent, or if there is no ceiling at all, the bank shares at a $10 par value will certainly go up to $100 and even more. Dividends will perhaps go up from $4 to $5 per share, which will represent a profit of 50 or 60 per cent on $10 shares.

Then, where will the ambition of the financiers end, since they are already enjoying an exclusive privilege belonging to the parliament of Canada, which represents the people, and not only to bank presidents and directors and to their shareholders?

[Mr. Gilbert.]

Again, we would like to set the interest ceiling at more than 6 per cent on money created by means of guarantees from individual borrowers, companies, corporations, and federal, provincial and municipal governments.

Therefore, Mr. Chairman, I wish to bring forward an amendment to clause 91. When it comes to allowing chartered banks to lend banking credits at more than 6 per cent, do we not feel that this is going to result in a federal increase in the rate of interest? We asked all the financiers, all the bankers who appeared before the committee whether they did not feel the increase in the rate of interest would result in an increase in the cost of living and they answered: No. They also answered that more money had to be put into circulation, that it would be easier for the small industrialists or for the small wage-earners to have more money.

Therefore Mr. Chairman, when one knows that Canadian citizens are up to their ears in debt at present, when one knows that they can hardly borrow, that the credit of three quarters of the people is not good any more, because they are far too indebted, in brief when one knows that the majority of the people do not want to borrow any more, since they are sure that they will not be able to repay, such are the conditions our friends opposite are creating. With every means at their disposal, they protect high finance and high society at the expense of the people. They are working against the people and the people will become aware of it one fine day.

Mr. Caouette: Quite true.

Mr. Latulippe: This is the banks' main argument: they are asking for the removal of the 6 per cent ceiling on the interest rate so as to be able to compete with other financial institutions not subject to the same ceiling. Would it not be advisable, Mr. Chairman, to also set a ceiling for the other financial institutions, thus preventing at the same time an increase in the cost of living, in production costs and the rise of the whole economy?

The Minister of Finance resorts to this argument. He says it would be unfair to freeze the interest rate at 6 per cent if other institutions have the advantage of lending their money at higher rates. To my mind, that is not a valid argument. The duty and the responsibility of this parliament was to set a ceiling and to put all institutions on the same footing. That is what we should have done, but we did not do it. We did not face up to our responsibilities.

Gentlemen opposite, you have voted against your responsibilities. You have overlooked your responsibilities to the people in order once again to protect high finance, which already has everything, controls everything and exploits everything, and nobody can even breathe without its consent. You have forgotten that, hon. members opposite.

It is a known fact that the cost of an issue now totals from 10 to 20 per cent: the advertising, the sale, the printing. The capital is issued as new money and entered into the books of the chartered banks purchasing such bonds and the interest is paid out of taxes on the people and it is the system of eternal interest, debts and capital created by a stroke of the pen.

Well, Mr. Chairman, it is the responsibility of the state to differentiate between the two economic sectors—the private and the public sectors. And the major role is played particularly in the public sector. It is mostly in the public sector that the banks have the advantage of using their pen to create money. It is in the public sector that the various bonds of public bodies, the federal government as well as all other governments, provincial, municipal, school and parishes, are issued and it is through such bonds that the large financial institutions create credit and multiply credit with the ink in their pens.

That, Mr. Chairman, is fictitious money. That is money which should not be created by the financiers. That should be the responsibility of the Bank of Canada. In fact, it was the responsibility of our friends opposite and their Conservative neighbours to vote a moment ago to maintain the interest rate at 6 per cent. I think the Leader of the Opposition (Mr. Diefenbaker) went hiding because he is in collusion with high finance.

Mr. Chairman, we could still make important speeches. Take the case of the Cuban government. When they needed $2 billion to refinance their country's economy, they tried to secure money from the United States. They could not have it unless they were ready to pay 5, 5½ and 6 per cent. So they asked Russia and that country is now financing the Cuban government at an interest rate of 1 per cent. If the communists are able to finance different nations at a rate of 1 per cent, Canadians should be able to finance their institutions at a reasonable rate of interest and not at 7, 8, 10 or 15 per cent, in other words, at all sorts of rates.

• (10:40 p.m.)

It is unfair to the people to refuse to fix a 6 per cent ceiling on the interest rate. I think this is the greatest injustice ever witnessed by parliament, and it will have serious consequences.

Today, the people are beginning to know, to understand, in other words, to read between the lines. There are people who have known extreme poverty, who have been sabotaged by high finance, and who remember it, who remember the interest rate they had to pay and how they lost their property.

A great number of citizens are going bankrupt right now, because the present system is taking away from them their property, all they possess, is taking away from them the work of several generations. In fact the present system does not hold water, since it cannot operate otherwise than by elevating a group of citizens and bringing down another one.

There is another group that has to go bankrupt, because it has to reimburse money created with nothing and on which interest is required. In fact, they require the repayment of capital created with pen and ink; they require money from the Bank of Canada, they require actual money in return.

The present system does not hold water, and this is why we see bankruptcies of all kinds, people who are turned out on the street, on the road, people who lose all they have.

This is what the gentlemen opposite voted for. It is the situation with which we are familiar at the present time.

And there is talk of changing this situation. You would not change it for all the tea in China because of your ties with big business. I think a certain number of people among you are bank shareholders living off the interest paid on their capital. And that is why you do not want to change this situation. But tomorrow morning the people will ask that it be changed.

Why, Mr. Chairman, is dissatisfaction rife in Canada nowadays? Why are unions mushrooming out in every sectors? To try and organize structures to help their members make a living. These structures could have been established by the governments, but they did not assume their responsibilities, they did not set up the structures, and these unions have to unite, to organize and come before the government, and face the people who have these responsibilities and who did not want to assume them.

You have seen that happen today with the Farmers' Union. They came over here; they are all on the verge of bankruptcy. They are deeply in debt. Therefore, to help them out, lend them money at a higher rate of interest. Mr. Chairman, it is like throwing a drowning man an anchor to submerge him further instead of throwing him a life-saving jacket.

The people are being submerged further into debt by all kinds of financial schemes, by raising interest rates thereby increasing the over-all cost of living and depreciating the purchasing power of our currency in foreign countries, in all the countries of the world, thus placing Canada in an unfavourable position.

This financial system of ours does not hold water; it works in favour of a few financiers to the detriment of 99 per cent of the people, perhaps more.

Therefore, Mr. Chairman, many reforms should be made, but the government failed to introduce them. As far as we are concerned, we moved many amendments, but you have voted them down. They would have opened the way to do so many things for the people; we could have helped the citizens to have a more decent living, to benefit from the present system, to take advantage of scientific progress, to get an education and improve themselves from all points of view. Alas, we cannot even develop our natural resources.

Our present financiers do not even bother to develop our natural resources, and we are forced to let our Canadian fellow countrymen beg on their knees for the Americans to come in and develop our public and private wealth, our natural resources, because we have no money. The federal, provincial, municipal governments as well as the school boards endeavour to tap the people's savings, but there is not a single cent left in our society.

When one wishes to create or expand industries, develop our natural resources, well, there is no more capital, because it has all been absorbed by the present system to pay interest to financiers, to pay interest on money that does not exist, on fictitious money.

This is our situation, Mr. Chairman. These are the fields where great improvements would be necessary. And you were not willing to assume your responsibilities, you, members opposite, and you, Conservatives, and even you, New Democrats. In fact, you voted against almost every amendment we moved and which would have meant so much for the people. You all protect high finance.

[Mr. Latulippe.]

I therefore move an amendment to maintain at 6 per cent the interest on private loans, and at 2 per cent, the rate on public loans, because government bonds do not cost anything to those gentlemen, the financiers. Citizens have to make sacrifices to pay interest, to maintain the present system which is so bad for society, for the citizens, for the families, and which prevents the development of Canada in every respect. Now, you should vote for this amendment because you refused to allow the Bank of Canada to take over the control of money and credit, to create the credit required to finance public undertakings. We ask financiers to take their responsibilities. We ask the government that the financiers be forced to deprive themselves a little and loan that money at cost. It is claimed that costs amount to a little over 1 per cent.

That is why we have set at 2 per cent the rate on the money which will be created to finance the provinces, the municipalities and the public bodies.

Mr. Chairman, I would very much like to see those who were elected to represent the citizens really and properly, assume their responsibilities so that every Canadian might live decently.

I know quite well this amendment will be defeated. On the other hand, I shall have had the satisfaction of moving it. I shall have had the satisfaction of saying that I work for those who elected me, for the people and not only for the financial interests. I am not against high finance: I even want to give it the right to live. But I also want it to allow the citizens to live.

• (10:50 p.m.)

[*English*]

Some hon. Members: Question.

The Acting Chairman (Mr. Richard): All those in favour of the amendment please rise.

[*Translation*]

Mr. Grégoire: Mr. Chairman, I would like to say a few words—

The Acting Chairman (Mr. Richard): Does the hon. member for Lapointe wish to rise on a question of privilege?

Mr. Grégoire: Mr. Chairman, I would like to speak on the amendment.

The Acting Chairman (Mr. Richard): I have asked the house if it was ready for the question.

Mr. Grégoire: Mr. Chairman, when you took your seat, you asked the house if it was ready for the question. I got up and said. "Mr. Chairman", but the assistant clerk was directly in line between us at the time and you did not see me.

Mr. Chairman, I am not responsible for circumstances and I think that—

The Acting Chairman (Mr. Richard): I will say to the hon. member for Lapointe that I have taken the necessary arrangements to hear hon. members. As for me, I am ready to hear you, but I do not think the committee is. Therefore, I will—

Mr. Grégoire: Mr. Chairman, is it the wish of the committee that we do not speak on the amendment? Pardon?

Mr. Chairman, I would like to say a few words.

The Acting Chairman (Mr. Richard): I will ask the hon. member for Lapointe to speak right now.

Mr. Grégoire: Mr. Chairman, I would like to say a few words about this amendment. The hon. member for Compton-Frontenac (Mr. Latulippe) suggests that while maintaining the interest rate at 6 per cent, on the loans made to a public body—namely the federal and provincial governments, municipalities and school boards—the banks should have a 2 per cent interest.

And this is justifiable, Mr. Chairman, since our present system, as the hon. Minister of Finance admitted according to my previous reference, the new money lent by the banks is simply created money. Since banks do not have to pay any interest on it, but draw some, they can lend this money at the rate of 2 per cent to the governments and still make a profit of 2 per cent.

If the amendment were carried, the banks could lend the money they have on deposit, at the rate of 6 per cent, and that portion of money they create, which represents the yearly advance of the Canadian economy, could be loaned at 2 per cent to the government only.

Mr. Chairman, was any thought given to all the savings that could thus be made in municipal, provincial and, indeed, federal budgets? For instance, when you think of the fact the federal government alone pays $1,280 million a year in interest, you can easily imagine what kind of savings it would make if it could get a 2 per cent interest rate, that is three times less than what it now pays. In fact, instead of paying $1,280 million interest per year, it would pay only $400 million, which would mean additional available funds of some $800 million each year. Those additional funds could be used for many more useful things than what it is now used for.

In this way, the government, for instance, could give back to the provinces part of the tax revenue, to enable them to develop the field of education. Such amounts could be spent on public works which would allow the hiring of the unemployed we now have. They could also be used to increase family allowances and old age security pensions. When you think of what $800 million per year means, you realize that it is an amount which could be of tremendous usefulness to the Canadian people, as the hon. member for Compton-Frontenac (Mr. Latulippe) said a while ago. I think that measure would be a compromise between those who support the present system and those who advocate a new system of debt-free money. At least with the amendment moved by the hon. member for Compton-Frontenac, it would only be a reform of the present system and at that time, instead of interest-free loans by the Bank of Canada, the chartered banks would again continue to make loans and get an interest of 2 per cent—instead of not getting any at all—only when it comes to loans to public bodies.

If you stop to consider the savings it would mean for the federal, provincial and municipal governments, it would represent money available to the Canadian citizens.

Mr. Chairman, I want to support that amendment because I am convinced that if the house approves it the chartered banks might not benefit from it—although that will not make them poorer—but rather the 20 million Canadians.

The house can choose between the chartered banks and 20 million Canadians. By its vote, the house will indicate if it prefers to serve the chartered banks or 20 million Canadians.

Personally, Mr. Chairman, I will vote for the amendment because I prefer to vote for the interest and the welfare of 20 million Canadians rather than for the chartered banks.

Mr. Caouette: Mr. Chairman, I only wish to say a few words in support of the amendment just moved by my colleague, the hon. member for Compton-Frontenac (Mr. Latulippe). As the hon. member for Lapointe (Mr. Grégoire)

said earlier, what we are asking for, and what the hon. member for Compton-Frontenac is suggesting, is to maintain the interest rate at 6 per cent, in order to finance the private sector of the Canadian economy, and to establish at 2 per cent the interest rate in the public sector. This would enable the federal government, the provinces, the municipalities and the school boards to finance their projects through loans obtained at 2 per cent.

As the hon. member for Compton-Frontenac was saying earlier, if it is true that a small country like Cuba can borrow millions at a 1 per cent interest rate from the Russian National Bank, it seems to me that the Minister of Finance and the government should take that fact into consideration.

Shall we wait, here, in Canada, until we have communism, when the banks shall be under state control as they are in Russia where all banks are now state property? Is it not possible, in a private enterprise régime to have an adequate financial system that would make it possible to finance the public sector at a lower interest rate than that we are now paying; in short, at an interest rate that would allow the country, the provinces, the municipalities and the school boards to finance themselves more easily?

Mr. Chairman, I am convinced that the government can bring the Canadian banks to their senses, and if they are reasonable enough, they should look around them and across the Iron Curtain. They will suffer tomorrow the consequences of their present attitude; if not in five years, then in ten years. If this ends in bloody revolution, the banks, the "controllers" of the economic blood of the nation will be responsible for it.

Mr. Chairman, it is time to take the necessary steps to have the Canadian public protected and respected. Therefore, I ask the members to second the amendment introduced by the member for Compton-Frontenac. It is a logical amendment intended to keep the interest rate at 6 per cent, in order to finance the private sector and to establish a 2 per cent rate to finance the public sector of the administration and Canadian development.

• (11:00 p.m.)

[*English*]

Some hon. Members: Question.

Amendment (Mr. Latulippe) negatived: Yeas, 11; nays, 67.

The Acting Chairman (Mr. Richard): I declare the amendment lost. Shall the clause carry?

[Mr. Caouette.]

[*Translation*]

Mr. Monteith: On division.

Mr. Grégoire: On a point of order, Mr. Chairman. A while ago, some members were not present when the question was put, but they came in just the same while others were standing up for the vote.

I think that it is contrary to standing orders and I would ask those who act in that way to adhere to the standing orders. In fact, I think that it behooves you, Mr. Chairman, to call them to order.

The Acting Chairman (Mr. Richard): I would ask hon. members to follow the rules and, from now on to vote only if they were in the house when the question was put.

[*English*]

Shall clause 91 carry?

Mr. Monteith: On division.

The Acting Chairman (Mr. Richard): Is the committee ready for the question?

Some hon. Members: Question.

Clause agreed to: Yeas, 61; nays, 26.

The Acting Chairman (Mr. Richard): I declare the clause carried.

[*Translation*]

Mr. Clermont: On a question of privilege, Mr. Chairman.

This afternoon during consideration of clause 88 of Bill No. C-222, I called the attention of the Acting Chairman to the fact that the French and English texts were not in agreement with regard to subclause (5) (b) (i), and I asked him whether or not I should move an amendment. The Acting Chairman replied that it was not necessary, but I am now informed that it would be better to move an amendment. Accordingly, I ask for the indulgence of the house in order to move an amendment that will not give rise to any debate, Mr. Chairman.

[*English*]

The Acting Chairman (Mr. Richard): Is it agreed that the French version of the bill should be amended to conform to the language of the English version?

Some hon. Members: Agreed.

[*Translation*]

Mr. Clermont: Mr. Chairman, I thank the house for bearing with me. This is the amendment I should like to move: that the

word "three" appearing in line 45, sub-paragraph (i) paragraph (b) subsection 5 of clause 88 be replaced by the word "six", in compliance with the amendment made by the committee on finance, trade and economic affairs.

[*English*]

Mr. Clancy: I should like to have the amendment read in English. I do not speak French.

[*Translation*]

The Acting Chairman (Mr. Richard): Order, please.

The hon. member for Labelle (Mr. Clermont) moved that the word "three" appearing in line 45, sub-paragraph (i), paragraph (b) sub-section 5 of clause 88 be replaced by the word "six".

[*English*]

For the benefit of those who did not understand my speedy French, line 45 on page 79 of the French version, the numeral 3 is to be replaced by 6. Shall the amendment carry?

Amendment agreed to.

Clause as amended agreed to.

On clause 92—*Definitions.*

[*Translation*]

Mr. Grégoire: Mr. Chairman, before the vote is taken, I will only put a question to the Minister of Finance and Receiver General (Mr. Sharp). Clause 92 (1) (a) reads as follows:

(a) "cost of borrowing" means, in relation to a loan or advance,
(i) the interest or discount thereon, and
(ii) any charges in connection therewith that are payable by the borrower to the bank or to any person—

Thus, the "cost of borrowing" includes first the interest and second the related charges. And subsection (4) reads as follows:

The minister may make regulations
(a) respecting the manner in which the cost of borrowing shall be disclosed to a borrower;
(b) respecting the manner of calculating the cost of borrowing;

I should like to ask the Minister of Finance and Receiver General what are his intentions in that field, not necessarily with respect to interest, since it has been defined in section 91, but especially with respect to charges on loans payable by the borrower to the bank and for which the minister has the power to establish regulations. Does the minister intend to restrict charges other than interest levied by banks? Has the minister already established a series of regulations and could he tell us what are his intentions in that connection?

[*English*]

Mr. Sharp: The function of this section is to disclose to the borrower the cost of borrowing, and it would be my intention to make regulations similar to those being made in the provinces so that there is available to the borrower a direct comparison of costs between the cost of borrowing money from a bank, the cost of borrowing from a finance company or from an acceptance company, and so on. I have not yet drafted these regulations. I can assure the house that they will be in conformity with the practice being followed by the provinces. Indeed, as the committee may know, in the province of Nova Scotia there has been great pressure to extend provincial regulations to the banks, and it was on the assurance that the banks would be required to follow a similar practice that no action has been taken against them.

• (11:10 p.m.)

[*Translation*]

Mr. Grégoire: Mr. Chairman, I have a supplementary question. Is it the intention of the minister, when setting up rules, to limit the loan charges that banks may require? Is it the intention of the minister to restrict these loan charges, beside the interest rates?

[*English*]

Mr. Sharp: No, Mr. Chairman, this was solely for the purpose of disclosure.

Mr. McCleave: Mr. Chairman, the minister has mentioned the progressive legislation which has been adopted in Nova Scotia as well as in other provinces, although credit has not always been given to Nova Scotia. My question is simply whether the regulation under clause 92 (4) goes as far as to include advertising?

Mr. Sharp: Mr. Chairman, is the hon. member asking whether I would go so far as to regulate the form of advertising or the cost of advertising? What is the hon. member's question?

Mr. McCleave: No, it relates to the method of advertising the interest rates or the cost of loans. Sometimes this is put in very general terms and the person applying for the loan may be led to think that the rate is lower than the one with which he is actually confronted, so that this is where the sales job is

done on him. This point has been raised by several people in Nova Scotia and the suggestion has been made that the actual figures be used in advertising.

Mr. Sharp: Under paragraph (e) of subclause (4) I would have authority to do that, and I will bear this suggestion in mind. However the main purpose is to ensure that the borrower knows how much he is paying before he enters into the transaction.

Mr. Gilbert: Mr. Chairman, at the hearings before the standing committee on finance, trade and economic affairs the minister undertook to refer the regulations to the standing committee, after they had been passed by the governor in council. I should like to ask him whether he still intends to follow that undertaking.

Mr. Sharp: Mr. Chairman, I am a man of my word, and if I said that I shall certainly carry it out. It is my recollection that I made such a commitment.

Clause agreed to.

Clause 93 agreed to.

On clause 162—*Coming into force.*

Mr. Sharp: Mr. Chairman, I would ask the Minister of Transport to move amendments to this clause. These amendments arise out of the fact that this act is being approved at a much later date than we had originally intended. I would ask that the following motion be made:

That Bill C-222, an act respecting banks and banking be amended

(a) by striking out lines 29 to 32 inclusive, on page 108 of the bill and by substituting therefor the following:

Saving. "(2) This section shall come into force on the day that this act is assented to and section 6 shall come into force with respect to the banks to which the Bank Act, chapter 48 of the Statutes of Canada, 1953-54, applies, and section 6 of that act is repealed, on the coming into force of this section."; and

(b) by adding at the end of line 35 on page 108 of the bill the following:

"; and notwithstanding section 10 of An Act to Incorporate Bank of British Columbia and An Act to Incorporate Bank of Western Canada, respectively, sections 5 to 9 of those Acts, respectively, do not cease to have effect until section 54 of this Act comes into force".

Mr. Pickersgill: I do so move.

Amendment agreed to.

Clause agreed to.

[Mr. McCleave.]

On clause 1—*Short title*

Mr. Nasserden: Clause 1, Mr. Chairman, deals with the title of the act. I suggest that the title ought to be "the fluctuating interest rates act—an act to abdicate the government's responsibility for monetary policy".

Fluctuating interest rates are not conducive to stability and the orderly development of this nation, its industrial and economic life. This measure introduces a new factor of instability into monetary policy. It robs the Minister of Finance of some of the powers he now has to control monetary policy and it surrenders to the banks part of the responsibility that should and must remain in the hands of the government, through the Minister of Finance.

Interest rates can now work at cross purposes with those of monetary policy. This is not a good nor a worthwhile development. In my opinion it cannot have any but undesirable effects; in extreme circumstances such a policy could have disastrous effects.

This measure as it stands is a monument to this government's careless abdication of its responsibilities. It is another indication of this government's lack of sound monetary policy.

Clause agreed to.

Title agreed to.

Bill reported.

Mr. Deputy Speaker: When shall the said bill be read a third time.

Some hon. Members: By leave, now.

Mr. Starr: Would Your Honour call the yeas and nays.

Mr. Sharp moved the third reading of the bill.

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, we do not object to the motion for third reading being called tonight but we do think the house should take another moment or two to consider the importance of clause 91 of this bill. We regret that the committee of the whole was not prepared this evening to accept one or the other of two alternative proposals that were made. We feel that this bill has not yet dealt, as it should have, with the question of the interest rate.

Mr. Horner (Acadia): Hear, hear.

Mr. Knowles: We feel that either the ceiling should have been maintained or that something rational should have been put in its place. To give the house an opportunity to

consider once more the importance of the interest rate question to the people of Canada for the next ten years, I move, seconded by the hon. member for Broadview (Mr. Gilbert):

That Bill C-222 be not now read a third time but that it be referred back to the committee of the whole house for the purpose of reconsidering clause 91 thereof.

• (11:20 p.m.)

The house divided on the amendment. (Mr. Knowles) which was negatived on the following division:

YEAS

Messrs:

Barnett
Bell (Carleton)
Caouette
Churchill
Clancy
Code
Crouse
Dionne
Fane
Fawcett
Forrestall
Gilbert
Godin
Grégoire
Herridge
Horner (Acadia)
Horner (Jasper-Edson)
Johnston
Knowles
Langlois (Mégantic)
Laprise
Latulippe
MacInnis (Cape Breton South)
MacInnis (Mrs.) (Vancouver-Kingsway)
MacRae
McCleave
McCutcheon
McIntosh
Madill
Monteith
Nasserden
Nugent
Peters
Prittie
Régimbal
Scott (Victoria (Ont.))
Smallwood
Starr
Thompson
Wadds (Mrs.)
Webb
Winkler—42.

NAYS

Messrs:

Allmand
Asselin (Richmond-Wolfe)
Basford
Batten
Béchard
Benson
Blouin
Boulanger
Cameron (High Park)
Cantin
Cashin
Chatterton
Choquette
Chrétien
Clermont
Comtois
Côté (Dorchester)
Côté (Longueuil)
Côté (Nicolet-Yamaska)
Cowan
Crossman
Deachman
Dubé
Émard
Forest
Foy
Gendron
Goyer
Gray
Greene
Guay
Habel
Harley
Hellyer
Honey
Hymmen
Jamieson
Laflamme
Laing
LaMarsh (Miss)
Laverdière
LeBlanc (Rimouski)
Leboe
Lefebvre
Legault
Lessard
Lind
Loiselle
Macdonald (Rosedale)
McIlraith
McWilliam
Matheson
Matte
Morison
Neveu
Pelletier
Pickersgill
Pilon
Prud'homme
Reid
Richard
Rideout (Mrs.)
Robichaud
Rochon
Rock
Roxburgh
Ryan
Sharp
Stafford
Stewart
Tardif
Thomas (Maisonneuve-Rosemont)
Tolmie
Tremblay
Trudeau
Wahn
Walker
Whelan
Yanakis—79.

Division

Mr. Speaker: I declare the amendment lost. Is the house ready for the main question?

Mr. McKinley: Mr. Speaker—

Mr. Speaker: Is the hon. member for Huron rising for the purpose of announcing a pair?

Mr. McKinley: Yes, I was paired. Had I voted I would have voted for the amendment.

Mr. Ballard: I was paired. Had I voted, I would have voted in favour of the amendment.

[*Translation*]

Mr. Real Caouette (Villeneuve): Mr. Chairman, now that almost all the members are back in the house, I would not want to delay further the business of the house and prevent the passage of the bill. However, I should like to draw the attention of the house to clause 72 of Bill No. C-222, dealing with the reserves which the banks must maintain in the Bank of Canada in order to create more credit in the country.

This law, or this Bill No. C-222, will, when passed, remain in force for ten years, which is quite long. I think it is time for the house to come to a decision as to these bank reserves which we have allowed to decrease instead of increasing, thereby giving the chartered banks considerably greater powers than before.

I then move, seconded by the hon. member for Compton-Frontenac (Mr. Latulippe) that Bill No. C-222 be not now read a third time, but that it be referred back to the committee of the whole house for the purpose of reconsidering clause 72 relating to bank reserves.

Mr. Speaker: Is the house ready for the question on the amendment? All those in favour please say yea.

Some hon. Members: Yea.

Mr. Speaker: Those opposed say nay.

Some hon. Members: Nay.

Mr. Speaker: In my opinion the nays have it.

Division

[*English*]

Mr. Speaker: Is the house ready for the question on the amendment? All those in favour please say yea.

Some hon. Members: Yea.

Mr. Speaker: Those opposed say nay.

Some hon. Members: Nay.

Mr. Speaker: In my opinion the nays have it.

And more than five members having risen:

Mr. Speaker: Is the house ready for the question now?

Some hon. Members: Agreed.

The house divided on the amendment (Mr. Caouette), which was negatived on the following division:

YEAS

Messrs:

Caouette
Godin
Dionne
Grégoire
Langlois (Mégantic)
Laprise
Latulippe—7.

NAYS

Messrs:

Allmand
Asselin
Ballard
Barnett
Basford
Batten
Béchard
Bell (Carleton)
Benson
Blouin
Boulanger
Cameron (High Park)
Cantin
Cashin
Chatwood
Choquette
Chrétien
Churchill
Clancy
Clermont
Code
Comtois
Côté (Dorchester)
Côté (Longueuil)
Côté (Nicolet-Yamaska)
Cowan
Crossman
Crouse
Deachman
Dubé
Émard
Fane
Fawcett
Forest
Forrestall
Foy
Gendron
Gilbert
Goyer
Gray
Greene
Guay
Habel
Harley
Hellyer
Herridge
Honey
Horner (Acadia)
Horner (Jasper-Edson)
Hymmen
Jamieson
Johnston
Knowles
Laflamme
Laing
LaMarsh (Miss)
Laverdière
LeBlanc (Rimouski)
Leboe
Lefebvre
Legault
Lessard
Lind
Loiselle
Macdonald (Rosedale)
MacInnis (Cape Breton South)
MacInnis (Mrs.) (Vancouver-Kingsway)
MacRae
McCleave
McCutcheon
McIlraith
McIntosh
McKinley
McWilliam
Madill
Matheson
Matte
Monteith
Morison
Nasserden
Neveu
Nugent
Pelletier
Peters
Pickersgill
Pilon
Prittie
Prud'homme
Régimbal
Reid
Richard
Rideout (Mrs.)
Robichaud
Rochon
Rock
Roxburgh
Ryan
Scott (Victoria (Ont.))
Sharp
Smallwood
Stafford
Starr
Stewart
Tardif
Thomas (Maisonneuve-Rosemont)
Thompson
Tolmie
Tremblay
Trudeau
Wadds (Mrs.)
Wahn
Walker
Webb
Whelan
Winkler
Yanakis—116.

Mr. Speaker: I declare the amendment lost.

Is the house ready for the question on the main motion?

The house divided on the motion (Mr. Sharp) which was agreed to on the following division:

YEAS

Messrs:

Allmand
Asselin (Richmond-Wolfe)
Basford
Batten
Béchard
Benson
Blouin
Boulanger
Cameron (High Park)
Cantin
Cashin
Chatwood
Choquette
Chrétien
Clermont
Comtois
Côté (Dorchester)
Côté (Longueuil)
Côté (Nicolet-Yamaska)
Cowan
Crossman
Deachman
Dubé
Émard
Forest
Foy
Gendron
Goyer
Gray
Greene
Guay
Habel
Harley
Hellyer
Honey
Hymmen
Jamieson
Laflamme
Laing
LaMarsh (Miss)
Laverdière
LeBlanc (Rimouski)
Lefebvre
Leboe
Legault
Lessard
Lind
Loiselle
Macdonald (Rosedale)
McIlraith
McWilliam
Matheson
Matte
Morison
Neveu
Pelletier
Pickersgill
Pilon
Prud'homme
Reid
Richard
Rideout (Mrs.)
Robichaud
Rochon
Rock
Roxburgh
Ryan
Sharp
Stafford
Stewart
Tardif
Thomas (Maisonneuve-Rosemont)
Tolmie

Tremblay
Trudeau
Wahn
Walker
Watson (Châteauguay-Huntingdon-Laprairie)
Whelan
Yanakis—80.

NAYS

Messrs:

Bell (Carleton)
Caouette
Churchill
Clancy
Code
Crouse
Dionne
Fane
Fawcett
Forrestall
Gilbert
Godin
Grégoire
Horner (Acadia)
Horner (Jasper-Edson)
Johnston
Knowles
Langlois (Mégantic)
Laprise
Latulippe
MacInnis (Cape Breton South)
MacInnis (Mrs.) (Vancouver-Kingsway)
MacRae
McCleave
McCutcheon
McIntosh
Madill
Monteith
Nasserden
Nugent
Peters
Prittie
Régimbal
Scott (Victoria (Ont.))
Smallwood
Starr
Thompson
Wadds (Mrs.)
Webb
Winkler—40.

• (12 midnight)

Mr. Speaker: I declare the motion carried.

Mr. McKinley: I should like to announce, again, that I was paired. Had I voted, I would not have supported the bill.

Mr. Ballard: I was paired. Had I voted I would have voted against the motion.

Mr. Herridge: I was paired with the Minister of Energy, Mines and Resources. Had I voted I would have used my best judgment.

QUEBEC SAVINGS BANKS ACT

DECENNIAL REVISION AND EXTENSION OF CHARTERS

Hon. Mitchell Sharp (Minister of Finance) moved that the house go into committee to consider Bill No. C-223 respecting savings banks in the Province of Quebec.

Motion agreed to and the house went into committee thereon, Mr. Batten in the chair.

On clause 2—*Definitions.*

Mr. Sharp: This bill parallels very closely the Bank Act which the house has just approved. In order to expedite its consideration I should like to say that I have two amendments to propose to clauses 26 and 46. The main amendment is to clause 46 and there is a consequential amendment to clause 26. These are in exactly the same form as the amendments made to the Bank Act. They relate to ownership and they provide, as was provided in the amendments to the Bank Act which were approved today, that no shareholder who owns more than 10 per cent of the shares of a bank may subscribe for any shares issued by that bank. This is the purport of the amendment to clause 46, and the amendment to clause 26 is the same as the consequential amendment which followed in the Bank Act.

I would point out to the committee that this bill was studied very carefully by the committee on finance, trade and economic affairs and it does not contain any principle different from those contained in the Bank Act. It simply applies those principles to the savings banks in Quebec which are under federal jurisdiction.

Mr. Monteith: I agree with what the Minister of Finance has said but I am wondering what amendments he has to propose.

Mr. Sharp: Mr. Chairman, the only reason I did not ask that the amendments be made is that I was not sure how you wanted to proceed. These amendments are to be made to clauses 26 and 46. I would be happy to suggest that the other clauses be approved en bloc.

Mr. Monteith: I would second that suggestion.

The Chairman: Is it agreed that all clauses of Bill C-233, with the exception of clauses 1, 26 and 46 be carried en bloc?

Some hon. Members: Agreed.

Clauses 2 to 25 inclusive, 27 to 45 inclusive and 47 to 131 inclusive, agreed to.

Mr. Sharp: I would appreciate it, Mr. Chairman, if you would call clause 46 first, where the substantive amendment is to be made.

On clause 46—*Limit on shares held by non-residents.*

Mr. Sharp: Mr. Chairman, I would ask the Minister of Transport to move:

That Bill C-223, an act respecting Savings Banks in the Province of Quebec, be amended

(a) by striking out lines 29 to 31, inclusive, on page 20 of the bill, as reprinted, and by substituting therefor the following:

"thereof;

(b) by any person if, at the time the share is subscribed for, the total number of shares of the capital stock of the bank held by such person and by other shareholders associated

with him, if any, exceeds ten per cent of the total number of the issued and outstanding shares of such stock; or

(c) except as otherwise provided in subsection (5), in other circumstances where if the subscription"; and

(b) by striking out line 39 on page 20 of the bill, as reprinted, and by substituting therefor the following:

"(5) Subject to paragraphs (a) and (b) of subsection (4)".

Mr. Pickersgill: I so move.

Amendment (Mr. Pickersgill) agreed to.

Clause as amended agreed to.

On clause 26—*Offer of shares of capital stock.*

Mr. Sharp: Mr. Chairman, I would ask my colleague, the Minister of Transport, to make the following motion:

That Bill C-223, an act respecting Savings Banks in the Province of Quebec, be amended by striking out line 39 on page 9 of the bill, as reprinted, and by substituting therefor the following:

"by reason of paragraph (a) or (b) of subsection (4)".

Mr. Pickersgill: I so move.

Amendment (Mr. Pickersgill) agreed to.

Clause as amended, agreed to.

Mr. Sharp: Mr. Chairman, you should also call the schedules at the back of the act, which I suggest should also be approved en bloc.

Schedules A, B, C, and D agreed to.

On clause 1—*Short title.*

Mr. Sharp: Mr. Chairman, before the committee rises I would like on this occasion to express the thanks of the house, and in particular of the members of the committee on finance, trade and economic affairs, for the services performed for us over many years by Mr. Clayton Elderkin who is sitting in front of me this evening. Mr. Elderkin was formerly the inspector general of banks, from which position he retired a few months ago, and he consented to stay on with the department as a consultant in order to see these bills through the house and through the Senate, and I would like personally to thank him very much for his great services to the government.

Some hon. Members: Hear, hear.

• (12:10 a.m.)

Mr. Monteith: Mr. Chairman, I wonder whether I might have the privilege of saying just a word or two at this time. Having been a member of the committee in 1954, which at that time was known as the committee on commerce and finance, and at which time we last examined the Bank Act, Mr. Elderkin was inspector general of banks. I should like to add my word of commendation to that person.

Clause agreed to.

Title agreed to.

Bill reported.

Mr. Deputy Speaker: When shall the bill be read the third time?

Some hon. Members: By leave now.

Mr. Sharp moved the third reading of the bill.

Motion agreed to and bill read the third time and passed.

PROCEEDINGS ON ADJOURNMENT MOTION

A motion to adjourn the house under provisional standing order 39A deemed to have been moved.

FISHERIES—REQUEST FROM HUMANE SOCIETY FOR ABOLITION OF SEAL HUNT

Mr. Andrew Chatwood (Grand Falls-White Bay-Labrador): Mr. Speaker, my question to the Minister of Fisheries with regard to the seal fishery grew out of my amazement at the distorted coverage being given to the seal fishery in the news media, due to the actions of some misdirected persons who have very little knowledge of the facts.

I was startled and shocked, Mr. Speaker, at the actions of the members of the Conservative party who demanded the abolition of the seal fishery. Sealing is a very vital part of the livelihood of thousands of Canadians, and even though the amount of income is not large, it does represent to many of my constituents an important part of their dollar income. Sealing also enables many people by their own effort and by risking their own lives to acquire goods which they could not afford to buy and for which there are no substitutes.

The action of the Conservative party through their leader in calling for a prohibition of sealing is, I am sure—

Mr. MacInnis (Cape Breton South): Mr. Speaker, on a point of order—

Mr. Deputy Speaker: Order. Is the hon. gentleman rising on a point of order?

Mr. MacInnis (Cape Breton South): Yes, Mr. Speaker. I have been under the impression that this portion of our time is set aside for members to bring up questions with a minister of the crown. When a member uses this time to read a prepared speech in criticism of members of this house I do not think he is following the order of business which is before the house.

Mr. Deputy Speaker: The hon. member for Grand Falls-White Bay-Labrador may continue.

Mr. Chatwood: Mr. Speaker, if I may, I will refer to my notes. This action, I am sure, is based on their ignorance of the importance of this historic hunt to the lives of thousands of Canadians, not only in the riding of Grand Falls-White Bay-Labrador—

Mr. MacInnis (Cape Breton South): Mr. Speaker, on the point of order.

Mr. Deputy Speaker: Order, please. The hon. member who now has the floor is putting the question to the house. He has the right to put it in any way he wishes. There is no point of order.

Mr. MacInnis (Cape Breton South): Mr. Speaker, on a question of privilege; I should like someone who has responsibility for the government to explain that this particular time is set aside for members to put questions to the ministry, when they have not been satisfied with the answer given during the question period.

For that reason this time should be devoted to obtaining information from ministers, not to criticism of opposition members for any action they have taken. This time has been set aside for the purpose of obtaining information because that information could not be provided during the ordinary question period. I suggest what the hon. member is now doing is reading a prepared text for the purpose of criticizing opposition members, rather than seeking information. I submit this is not the purpose of this time set aside by the house.

Mr. Chatwood: Mr. Chairman, this matter is of importance not only to the whole province of Newfoundland and Labrador, but to Prince Edward Island, Nova Scotia, New Brunswick, eastern Quebec and all areas where seals are taken from the shore, as well as to those firms in Halifax and other centres which buy the pelts and provide employment to residents.

Individuals who are writing to the press fall into many categories; some are vegetarians and do not eat meat of any type or in any form, and protests from those people are legitimate. They are loyal to their beliefs. I do not agree with them, but I respect their rights. I cannot agree with those who try to prevent hard working—

Mr. MacInnis (Cape Breton South): Mr. Speaker, I rise again—

Mr. Deputy Speaker: Order, please. I must point out again to the hon. member for Cape Breton South (Mr. MacInnis) that the hon. member has seven minutes in which to make his statement, and he has the right to make that statement in any way he wishes, so long as he abides by the rules of this house. Let me suggest to the hon. member for Cape Breton South that he allow the hon. member for Grand Falls-White Bay-Labrador to continue.

Mr. MacInnis (Cape Breton South): Mr. Speaker, I would prefer that you make a ruling as to the reason for setting aside this time. In my opinion it is set aside for obtaining information from ministers who were not able to answer questions asked in the normal question period. I respectfully ask that you make a ruling that hon. members use this time for the purpose set aside by the house.

Mr. Deputy Speaker: Let me remind the hon. member for Cape Breton South that the hon. member who was interrupted was making a statement before asking the minister his question.

Mr. MacInnis (Cape Breton South): Let me again request the Chair to give me a ruling as to whether—

Mr. Tardif: Sit down.

Mr. MacInnis (Cape Breton South): Are you through?

Mr. Tardif: When I am through I will let you know.

Mr. MacInnis (Cape Breton South): Mr. Speaker, I am trying to find out whether I am right in assuming that this time has been set aside for members to obtain answers to questions which could not be answered in the house. If the time is to be taken up by hon. members who wish to make political speeches, then all I can suggest is that many of us may be here every night of the week making political statements in opposition to actions taken by the government. Surely members of this house during this time should not be permitted to make statements of a political nature. This time, as I understand it, has been set aside for the express purpose of members obtaining information.

Proceedings on Adjournment Motion

Mr. Deputy Speaker: Let me remind the hon. member that this time has been set aside for the discussion of questions, and that the hon. member who was speaking has seven minutes in which to pose his question to the minister.

Mr. MacInnis (Cape Breton South): I request the Chair respectfully to make a ruling as to the amount of time a member can use to make a speech of a political nature before posing his question.

Mr. Deputy Speaker: The hon. member has seven minutes in which to make his statement and I suggest to the hon. member for Cape Breton South that he allow the hon. member for Grand Falls-White Bay-Labrador to continue.

• (12:20 a.m.)

Mr. MacInnis (Cape Breton South): I would remind you, sir, that the hon. member's time has now expired.

Mr. Chatwood: I cannot agree with those, Mr. Speaker, who try to prevent hard-working, God-fearing men from earning an honest living by the sweat of their brows as their forefathers did before them. I cannot agree with those who stand either in this house or outside it and say "prohibit sealing", and then sit down to a meal of chicken, pork, beef, duck, lamb or any other meat—the same people who would hunt a deer or a wild bird for sport, or give chickens or baby bunnies to their children for Easter, well knowing that these baby chicks and baby bunnies will be starved or crushed to death by over-loving children. Where are last year's Easter chickens?

Mr. MacInnis (Cape Breton South): Mr. Speaker, I rise on another point of order. I would again remind the Chair that despite whatever develops in the house during the seven minutes allotted to any hon. member—and the Minister of Transport (Mr. Pickersgill) can verify this by referring to a time when he tried to intimidate the C.B.C. into making a move for him—if the time is used by reference to any matter, the seven minutes allotted to an hon. member expires and there is no more time allotted to him. I raise my point of order on this particular matter now, and the Chair must rule on it. The hon. member is not permitted to read word for word from a prepared text.

Mr. Pickersgill: I wonder whether I might remind Your Honour that when this rule was established it was clearly understood that no member of the house was permitted to interrupt or to speak during this period except the hon. member to whom the Speaker had allotted the seven minutes to express his grievance, and the minister or the parliamentary secretary in reply. The hon. member has deliberately and persistently defied Your Honour's repeated ruling that he should take his seat, and I suggest that he be asked to desist from interrupting the most junior member of the house. An experienced member usually extends to a junior member the courtesy of allowing him to be heard.

Mr. MacInnis (Cape Breton South): On that point of order, Mr. Speaker, I would point out to the Minister of Transport that to raise his point of order he had to break the rules himself.

Mr. Deputy Speaker: Order. Perhaps I should read to the hon. member for Cape Breton South the standing order which applies.

An hon. Member: You don't know what you are talking about.

Mr. MacInnis (Cape Breton South): Shut up. You are talking cheap.

Mr. Deputy Speaker: Order, please. I refer to standing order 39—

Mr. MacInnis (Cape Breton South): It is too bad hon. members opposite cannot back up some of the things they say.

Mr. Deputy Speaker: Order, please. Standing order 39 provides as follows:

> A member who is not satisfied with the answer given to a question asked on any day at this stage, or a member who has been told by Mr. Speaker that his question is not urgent, may give notice that he intends to raise the subject matter of his question on the adjournment of the house.

As far as the question of time is concerned, it has always been the ruling in this house that when an hon. member is speaking and a point of order is raised, that time is not charged to the hon. member. If, however, he were to allow questions, that of course might be quite another matter. The hon. member for Grand Falls-White Bay-Labrador.

Mr. Chatwood: Some of the people who are complaining most vehemently against the seal fishery would think nothing of using a rod and line to hook a salmon and play the poor unfortunate fish for hours just for sport. The practice of catching the salmon or trout on a line and playing it for an extended period of time before finally bringing it to shore to allow it to gasp itself to death is accepted, as

it should be; and it certainly cannot be compared to the quick, merciful killing of a seal. It is unfortunate that animals must die to sustain life, but it is necessary in order that man can have food and clothing and that he can feed and educate his children.

I returned just last week from a brief visit to my riding where I reviewed the sealing practices with many of my constituents, all of whom ask only for the right to work for a living and the right to use the best possible tools to do the job. I can assure this house that there is no cruelty in the seal hunt. Seals are killed either by a sudden blow or by a quick shot, and are killed instantaneously—faster by far than the death of some of our domestic animals.

The Department of Fisheries and the Minister of Fisheries (Mr. Robichaud) have done excellent work in bringing in regulations and in getting agreements from other countries to control the size of the herds, and the need for regulation is recognized. If the herds were allowed to become too large the effect on the commercial fishery would be disastrous. The amount of bait fishes, of salmon and of shell fishes that would be consumed by these animals would deplete the supply to a tremendous extent. It should be remembered, Mr. Speaker, that even today it is necessary in some cases to provide a bounty on certain seals in order to protect certain of the fishes. The same people who now complain about the killing of seals would soon complain if the number of salmon and other game fish in our rivers were reduced by the appetites of an excessive seal population.

It would be impossible, Mr. Speaker, to speak about sealing without thinking of the gaff, the traditional tool of the sealer which has saved many a sealer's life on treacherous icefields both in preventing him from falling into the water and in assisting him in recovering on an occasion when he might fall in. Because of the importance of the hunt for those taking seals from the shore, it is imperative that the use of shotguns and shells be continued, as expensive rifles are not available to everyone and slugs are not as effective as shot. The thought of high powered rifles being fired from small boats on a misty morning is one that brings visions of possible tragic results, and is something that is not necessary. The fisherman taking seals from the shore must be allowed to use the equipment that is best suited for the task at hand. He must be able to use the best boats that he has for the job and the boats to which he is accustomed.

I must urge the minister to consider the stories being told as what they are—foibles of people who wish to attract public attention to themselves for reasons of their own. They have no knowledge of the matter under consideration and no feeling for the many people whose livelihood depends on this important section of our economy, both in dollars in income and materials necssary for their livelihood. I ask the minister to do everything possible to insure that the seal fishery continues and maintains its important place in our economy, and that all possible assistance be given to the sealers taking part in the seal hunt.

Mr. Richard Cashin (Parliamentary Secretary to Minister of Fisheries): Mr. Speaker, I can assure the hon. member that the Department of Fisheries is very much interested in the welfare and in the well being of the fishermen on the eastern coast of Canada, as well as the western coast of Canada. However, the Department of Fisheries has taken steps in the past, and will continue to do so, to ensure that this fishery is carried out in as humane a way as possible. While it is unfortunate that certain unfounded publicity from time to time has been spread about regarding certain aspects of the seal fishery, there is also ample evidence to suggest the killing of seals is carried out in a way which, in many instances, is more humane than that carried out in the killing of other animals.

I might say that personally, like the hon. member for Grand Falls-White Bay-Labrador, I sometimes find it a little inconsistent to hear big game hunters and big game fishermen advocate the abolition of the seal fishery while they find it easy to spend an hour or an hour and a half playing a fish on a line. I think it may be helpful to some people if there were a clear distinction between the two forms of killing. Perhaps some would even suggest the seal fishery was not as cruel, if that is the right way of putting it, as sport fishing.

In conclusion, I can assure the hon. member the Department of Fisheries has and will continue to have a great interest in fishermen in all types of fishery and at the same time will hope to see to it that as fair and as humane regulations as possible are introduced in this aspect of the fishery, as in all other aspects.

Proceedings on Adjournment Motion

HEALTH AND WELFARE—RESEARCH INTO ILLNESS CAUSED BY NOISE

Mr. H. W. Herridge (Kootenay West): Living, as I normally do, in relative solitude, I notice the city noise in all its amplitude and it is for that reason I have taken a particular interest in the damaging effect of the noise of modern society. This is important to communities, to working people generally and to the general public. It is for that reason I have been interested in the subject. I have read the report on noise published by the World Health Organization, and its effect as a public nuisance as shown in studies of occupational research. I have also read the final report presented to parliament by the lord president of the council and minister for science, by command of Her Majesty, July 1963, in the parliament of Great Britain, which deals with this question in a very interesting way and makes some recommendations.

• (12:30 a.m.)

My attention was directed to this subject the other day on account of an editorial which appeared in the *Globe and Mail* of March 15, 1967 entitled: "Sue over noise, workers urged". It reads as follows:

> Thousands of persons working in British factories may be in a position to claim compensation for damage to their hearing caused by noise.
>
> J. B. Cronin of the Southampton University law faculty told a scientific meeting at the Royal Society in London that employees could successfully claim for bodily injury caused by employers' negligence. Yet no employee had ever taken such action.
>
> "I don't know what the trade unions have been at," Mr. Cronin said.
>
> Professor E. J. Richards, of Southampton University's institute of sound and vibration research, told the meeting that there was already ample evidence that many a worker's hearing was being permanently damaged by noisy working conditions—and as the power and size of machinery increased, the noise problem would get worse.

Mr. Speaker, the general effect of noise is, in the first instance, on the physical health of the body. For the most part people's well being is diminished by noise. In this sense of the term there is no doubt that noise affects health. It has been proven to affect the mental health of some people and to affect the enjoyment of communication based on sound in relation to hearing. It can affect working efficiency, and also the incidence of industrial accidents. I have had some personal experience in connection with the operation of mine compressors and machines of that sort—not that I have worked in the place, but I was an observer. In my opinion noise is an occupational hazard and a public nuisance in modern society. Research is required in an effort to provide remedies and compensation for those who suffer from noise in industry and in other segments of our communities.

It was for that reason that on Wednesday, March 15, I asked the parliamentary secretary to the Minister of National Health and Welfare whether any research is being undertaken in Canada at the present time in damage done to the human body as the result of noise.

> The fair lady listens with dignity and poise,
> To my inquiries about research and noise,
> I hope her reply will be complete and good
> Based on homework well done, as it should.

Mrs. Margaret Rideout (Parliamentary Secretary to Minister of National Health and Welfare): Mr. Speaker, the answer to the hon. member's question is yes, the government is concerned about the effects of noise, both on the human body and on the mind. For example, over the past several years research assistance from the public health research grant has been given to a number of studies on the relation of noise to hearing loss. I understand that the Medical Research Council and the Defence Research Board have also given grants for research in this area. In addition, we do know of various university activities in this field. We would be pleased to have a list of these research activities prepared for the hon. member for Kootenay West, if he so desires.

Mr. Speaker, if I may end this very brief reply on the same note as that of the hon. member for Kootenay West, I would say that:

> The hon. member for Kootenay West
> Asks lots of questions, as do the rest.
> In this long, long day, it has been one of my joys,
> To answer his questions about bodies and noise.

Motion agreed to and the house adjourned at 12.37 a.m..

HOUSE OF COMMONS

Wednesday, March 22, 1967

The house met at 2.30 p.m.

CANADIAN CENTENNIAL

CONGRATULATIONS BY U.S. SENATE AND HOUSE OF REPRESENTATIVES

Mr. Speaker: Order, please. I am sure hon. members will be interested to know that on March 14 concurrent resolutions were introduced in the United States Senate and House of Representatives that the United States Congress extend its congratulations to the parliament of Canada on the occasion of the centennial of Confederation.

The resolutions were introduced in their respective chambers by two great friends of Canada who have long been associated with the Canada-United States interparliamentary group, Senator George D. Aiken of Vermont and Congressman Cornelius J. Gallagher of New Jersey. Senator Aiken and Congressman Gallagher, it should be noted, will once again be the co-chairmen of the United States delegation to the tenth meeting of the Canada-United States group when it meets in Canada next May 10 to 14.

The resolutions were referred on March 14 to the appropriate committees of Congress for due consideration. They have now been reported back and adopted unanimously. The text is as follows:

Whereas the year 1967 marks the centennial of the confederation of Canada; and

Whereas the century of Canadian confederation has been marked by close ties of friendship and association between Canada and the United States; and

Whereas relations have been strengthened through the annual meetings of the legislators of Canada and of the United States: Now, therefore, be it

Resolved by the House of Representatives (the Senate concurring), That the Congress of the United States extends its congratulations and its best wishes to the parliament of Canada on the occasion of the centennial of the confederation of Canada and in affirmation of the affection and friendship of the people of the United States for the people of Canada.

I shall be pleased to convey to the Speaker of the House of Representatives and to the President of the Senate a message of appreciation on behalf of all hon. members.

Some hon. Members: Hear, hear.

COMMITTEES OF THE HOUSE

NATIONAL DEFENCE—FIFTH REPORT

Mr. Grant Deachman (Vancouver Quadra): Mr. Speaker, I have the honour to present the fifth report of the standing committee on national defence.

Mr. Lambert: That is presented very much on division, Mr. Speaker.

[*Translation*]

Twenty fourth report of standing committee on finance, trade and economic affairs—Mr. Gray.

[*Note: Text of the foregoing reports appears in today's Votes and Proceedings.*]

[*English*]

INCOME TAX

TABLING OF ORDER IN COUNCIL RESPECTING DEFERRED CAPITAL COST ALLOWANCES

Hon. Mitchell Sharp (Minister of Finance): Mr. Speaker, I should like to table an order in council, P.C. 1967-533 of March 21, in English and in French, amending the regulations under the Income Tax Act.

Mr. Speaker: Has the minister leave to table those documents?

Some hon. Members: Agreed.

Mr. Sharp: In the budget last March it was announced that a regulation under the Income Tax Act had been passed to provide that capital assets of certain classes acquired in the period after the date of the budget but before October 1 of this year would be subject to deferred capital cost allowances. This action was intended to serve as a restraint upon capital expenditures at a time when these were increasing at excessive levels.

The present order in council which I am tabling changes from October 1 to April 1 of this year the date at which this period comes to an end. Consequently property acquired after March 31 will not be subject to the deferred capital cost allowances provided for in the regulation last year.

It had been my intention to announce this change in capital cost allowances in speaking on second reading of Bill C-280 because the reason for terminating this period of deferred

capital cost allowances is the same as the reason for introducing that short bill. Now that consideration of the bill has been deferred until after the recess it is important that there be an immediate announcement here in parliament of the action in regard to capital cost allowances. It will be possible to discuss this action as well as that in respect of the refundable tax when parliament is able to consider Bill C-280, which is an amendment to the Income Tax Act.

• (2:40 p.m.)

In the budget last year it was stated that this temporary reduction in capital cost allowances, like the refundable tax, could be terminated on short notice should economic circumstances change. At present the economic circumstances and short term prospects do not appear to require any such restraint upon capital expenditures.

Mr. Speaker: The hon. Minister of Agriculture.

Some hon. Members: Hear, hear.

Mr. Speaker: Order, please. I failed to notice that the hon. member for Nanaimo-Cowichan-The Islands wishes to comment on the statement made by the Minister of Finance.

Mr. Colin Cameron (Nanaimo-Cowichan-The Islands): I was waiting, Your Honour, in case someone from the official opposition wished to comment. I have not had time in which to consider all the implications of this statement, but I suggest to the Minister of Finance that this is another of the rather haphazard ad hoc amendments to our fiscal structure which he seems to have been practising constantly. It is my hope that before contemplating any other such changes he will refer to the recent report of the Carter commission on taxation, where these problems are dealt with in a coherent manner. I hope there will be no more of these sudden changes without reference to the whole framework of fiscal policy.

AGRICULTURE

MILK—ANNOUNCEMENT OF SUPPORT POLICY FOR 1967-68

Hon. J. J. Greene (Minister of Agriculture): I wish to inform the house of the support which will be provided by the government to dairy farmers in the 1967-68 support year.

[Mr. Sharp.]

[*Translation*]

I apologize to my French speaking colleagues: I do not know if the French translation system is working right now. Thank you.

[*English*]

As I am sure hon. members will recall, there is an important structural change in dairy support which will be effective on April 1. While in past years the management of the program has been the responsibility of the agricultural stabilization board, effective the first of next month the newly formed Canadian Dairy Commission will assume this responsibility. Working with provincial marketing boards this commission has broad powers designed to permit it to develop an industry best suited to Canada's needs.

During the current support year the agricultural stabilization board has provided a subsidy at the rate of 85 cents per hundredweight on manufacturing milk testing 3.5 per cent and an equivalent amount on cream. The estimated cost of this program is $90 million. For the forthcoming year a total of $120 million will be made available to the commission for subsidy payments. This is an increase of 33⅓ per cent in the level of government aid.

Some hon. Members: Hear, hear.

Mr. Greene: This sum will permit of an increase in the subsidy rate to dairy farmers to $1.21 per hundredweight for manufacturing milk testing 3.5 per cent and an equivalent rate on cream. While total returns to producers from subsidy and the market will depend upon the action of provincial boards and agencies in establishing minimum paying prices, I am informed by the commission that the combination of subsidy and price supports will provide for a total milk price in the order of $4.75 f.o.b. the factory for manufacturing milk testing 3.5 per cent.

Some hon. Members: Hear, hear.

Mr. Greene: It should be noted that the commission will deduct such sums as they deem necessary for export cost in the same manner as the 10 cents hold back was handled last year by the agricultural stabilization board.

Complete details on the program of the commission will be announced by that body shortly. I can say, however, that it will embody individual subsidy eligibility quotas designed to bring about adjustments aimed at

increasing the over-all efficiency of the industry. This, I believe, is a useful step toward the long term goal of the government and the commission to put the industry on a sound basis whereby farmers will obtain a just return for their production with an ever-increasing share coming from the market place.

I should also note that this level of support includes provision for the agreement I reached with the ministers of agriculture of the two major milk producing provinces, Ontario and Quebec, that the federal support, effective April 1, will be increased by the equivalent of 25 cents per hundredweight of milk, subject to the provinces withdrawing from the direct subsidization of manufacturing milk and cream other than in exceptional circumstances. At the same time, since fluid milk is generally accepted as being a provincial responsibility, the federal government will leave the field of fluid milk shippers to the provinces in order to avoid a conflict of jurisdiction.

Some hon. Members: Hear, hear.

Mr. H. W. Danforth (Kent (Ont)): Mr. Speaker, this so-called dairy policy announced by the minister today, after his government has been five years in office, will provide very little comfort to the dairy industry of Canada.

Some hon. Members: Shame.

Mr. Danforth: When we look through the excellent verbiage that has been presented us today what do we find, Mr. Speaker? We find there has been no solution to any of the problems facing the dairy industry. Instead there is an increase in government subsidization, by direct payment to the industry.

An hon. Member: Are you against it?

Mr. Danforth: If the government is not aware of it all I can say is that every segment of the agricultural industry knows that subsidies are not a cure. They are just a medicine and don't solve anything. The government appreciates as well as the opposition that this does not meet the needs of the dairy industry, and that the dairy industry will be back again within 12 months for an increased subsidy made necessary by increased expenditures.

The dairy industry made a proposition to the government and outlined the need for a minimum f.o.b. price of $5.10 per hundredweight in order to operate for the season. What we have today is simply $4.75, with 10 cents deducted for export, which leaves $4.65 for the farmers instead of the $5.10 that they need.

I have been asked if I am against this policy. The real test of the policy announced today will be proven in the next year if we find a drastic change as the result of this and other government policies, with too many creameries closing up, too many small dairies being gobbled up, too many valuable herds being dispersed, and too many young men leaving the industry because there is no money in it.

These are the problems which must be solved, and I contend that this weak announcement of increased subsidies will not solve one single problem of the dairy industry. I suggest, Mr. Speaker, that the government would have been much better advised to follow the lead set by the ministers of agriculture in the two largest dairy producing areas and try to work out a single control of the dairy industry, placing in the hands of the national dairy commission the power to disperse the very small surplus supplies we have in dairying today.

Anyone connected with the dairy industry knows that the surpluses each year vary from one commodity to another, and if our small surpluses were disposed of in external markets the dairy industry would be in a much stronger position to support itself. This is what the dairy industry wants. This is what the consumer wants, not a continuous policy of support each year for the industry from the coffers of the people of this country. The dairy policy announced today by the minister solves no dairy problem. It just gives the government a chance to buy 12 months in time.

Mr. Ed. Schreyer (Springfield): Mr. Speaker, it would be an exaggeration to say that the policy put forward by the minister serves no useful purpose. I do not wish to exaggerate the case. The fact remains, however, that while the new policy which has been announced does indicate a measure of increased support and assistance for those engaged in the dairy industry, it really is an improvement of minor degree. I do not think there should be too much dispute on that point.

• (2:50 p.m.)

The minister's statement contains some calculations and figures which are quite difficult to reconcile. The statement indicates that the increase will bring the level of support to $1.21 per hundredweight. When one compares that with the level of support which has been

paid during the last year it seems quite clear that the increase is only in the order of 36 cents or 37 cents per hundredweight, and really does not come out to an increase of 33⅓ per cent as the minister contends.

Representatives and spokesmen of the dairy producers in this country have taken the trouble and the time during the past few weeks to present a solid case to members of this house showing clearly that the present state of the dairy industry is such that unless some substantial policy action is taken by this government there will be a steady deterioration in the industry in the next short while. The number of dairy producers who are willing and able to remain in the industry which produces this vital food commodity is being reduced rather significantly and rapidly. It is only because of the increased productivity per unit that we are able to maintain the level of milk production we have maintained in the past few years.

These are very disquieting times in the agricultural industry as a whole and in the dairy industry in particular. As has been said by the previous speaker, the hon. member for Kent (Ont.), we could have hoped, the people could have hoped, and the dairy producers could have hoped for some more substantial policy announcement on the part of this government and this minister.

While I am on my feet I should like to pose two questions to the minister which really should be asked because there is no indication in the statement in this regard. What intention does the government have with regard to the two features in last year's program which were widely criticized within the dairy industry; that is to say, the provision that the price support shall be paid only on that amount of fluid milk which is in excess of 120 per cent of the quota. I see no reference to that in the policy statement. This has been a very serious shortcoming in this past year's program and is something which should be rectified.

Second, I see no indication in the statement with regard to the negative differential which cream shippers have been receiving in the past year by way of price support. Unless the minister and the government are prepared to take remedial action in these two instances, then this new policy statement is even worse than the hon. member for Kent (Ont.) and I say it is.

[*Translation*]

Mr. Réal Caouette (Villeneuve): Mr. Speaker, the policy the hon. Minister of Agriculture (Mr. Greene) has just stated may seem

[Mr. Schreyer.]

generous for some, but it does not at all gratify the hopes of the farmers or dairy producers in Ontario or in Quebec, and even across Canada.

Yesterday we had the opportunity of meeting hundreds of farmers from all over Quebec who were able to state their claims with great logic and common sense which claims are based on facts and real needs in the field of agriculture.

Yesterday the hon. Minister of Agriculture, as well as the members from the province of Quebec, met the representatives of the CFU. The latter asked the minister and the government to grant subsidies or some kind of discount to enable the farmers to get $5 per hundredweight of manufacturing milk, and an extra 10 cents for export costs.

Now, we find that the minister, in his statement, or in the announcement of his dairy policy, offers, in co-operation, or within plans, as he says here:

[*English*]

—I am informed by the commission that the combination of subsidy and price supports will provide for a total milk price in the order of $4.75, f.o.b. the factory—

[*Translation*]

He says this:

[*English*]

It should be noted that the commission will deduct such sums as they deem necessary for export cost in the same manner as the 10 cent holdback was handled last year by the agricultural stabilization board.

[*Translation*]

This means, Mr. Speaker, that the farmers will get $4.65 f.o.b. factory, and that is not sure. That is far from the $5.10 asked by the farmers.

Mr. Speaker, I find it completely illogical that the minister, as well as the government and hon. members, especially those from Quebec, should welcome such a policy with regard to the farmers and the dairy producers who make up the most important sector of the Canadian economy. No one seems to mind when millions of dollars are granted for all kinds of things, but it is another matter when it comes to giving satisfaction to all those who make up the most important and useful class in society.

For the farmers, it is felt that $90 million is a huge amount and this year:

[*English*]

For the forthcoming year a total of $120 million will be made available to the commission for subsidy payments.

[*Translation*]

This only means an additional $30 million over last year. Farmers are not getting a fair deal and this policy should have been applied last year.

• (3:00 p.m.)

The government is one year late. The farmers will not be pleased with that dairy policy, and rightly so. They will also be right in blaming their members of parliament who met them several times in the last month or so, and were asked to support their request for $5 per hundredweight for manufacturing milk.

Mr. Speaker, I warn the Minister of Agriculture (Mr. Greene) that we are going to do our utmost to see to it that farmers, dairy producers receive a higher subsidy, a better price support than the one the minister now offers them. We feel that there is miserliness in this treatment of farmers, when there is so much generosity shown those who benefit from the labour of farmers.

Yesterday the farmers reminded the minister that a tractor costing $1,200 or $1,400 about ten years ago now sells for $5,000. The farmers' average income is about $2,000 or $2,200 whereas in any industry the average income these days is almost $5,000. It is imperative that farmers command a greater concern of the government and I say that the Minister of Agriculture and the government are not now being fair to the Canadian milk producers particularly to those of the two more populated provinces, Ontario and Quebec.

[*English*]

Mr. Howard Johnston (Okanagan-Revelstoke): Mr. Speaker, I think the announcement by the Minister of Agriculture again points up the need for a conference of all concerned on the whole question of farm income, such as has been requested by the federation of agriculture. The announcement today presents, as usual, a bare minimum of assistance with no related action concerning costs or prices. As usual we see the agricultural problem of this country tackled industry by industry year by year, so that we have a continual crisis.

The measures will, of course, be of some assistance. They will apply more particularly to Ontario and Quebec than to my own province of British Columbia, where the main dairy industry is concerned with fluid milk although there is manufacturing in the Fraser valley. The clear demarcation of involvement as between the federal and provincial governments is I think one area that is welcomed in the announcement, because any progress in clearly defining responsibility in this field is appreciated.

TRANSPORT

PROVISION FOR REGULATION OF SUSPENSION LINE DEVICES

Hon. J. W. Pickersgill (Minister of Transport) moved the first reading of Bill No. S-58 (from the Senate), respecting interprovincial and international teleferries.

Motion agreed to and bill read the first time.

Mr. Speaker: When shall this bill be read a second time?

Mr. Pickersgill: Mr. Speaker, this is a very little bill that was passed in the other place. I wonder whether there might be time at the end of the afternoon for the house to consider it and for it to receive royal assent. I ask that this be done if possible, because I believe some plans depend on it.

Mr. Speaker: Next sitting of the house or later this day.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

DIRECTIVES RESPECTING EDUCATIONAL TELEVISION

Question No. 2,308—**Mr. Reid:**

1. Has the Board of Broadcast Governors received any policy directives from the federal government respecting educational television (ETV) and, if so (a) when were they issued (b) by whom were they issued, and (c) what action has the B.B.G. taken on these directives?

2. What specific research has the B.B.G. itself undertaken or caused to be undertaken respecting ETV in Canada?

Hon. Judy V. LaMarsh (Secretary of State): I am informed by the Board of Broadcast Governors as follows:

The Board of Broadcast Governors was asked by the cabinet, toward the end of December 1966, to take steps within the authority of the present legislation to develop plans leading to the introduction of educational television throughout the country, and to get in touch with the provinces immediately interested.

Questions

The B.B.G., within the limits of its jurisdiction, had already been in touch with some of the provincial governments. These contacts are now proceeding to enable the B.B.G. to complete the task given to it by the cabinet.

EMPLOYMENT BY CANADA ON INTERNATIONAL CONTROL COMMISSION

Question No. 2,579—**Mr. Ryan:**

How many persons are (a) directly and indirectly employed by Canada for the three international commissions in Indo-China and their inspection teams (b) directly or indirectly employed by Canada domestically and in any other parts of the world, other than Indo-China, by reason of Canada's representation on the said three international commissions?

Hon. Paul Martin (Secretary of State for External Affairs): (a) There are a total of 95 persons (66 Canadian military personnel and 29 Canadian civilians) directly employed in the work of the Canadian delegations to the three international commissions in Indo-China. No personnel are indirectly (i.e. locally) employed by Canada in Indo-China.

(b) In so far as the Department of National Defence is concerned, the number of directly or indirectly employed personnel in Canada or other parts of the world is nil. In the Department of External Affairs in Ottawa, two foreign service officers are engaged full time in dealing with matters flowing from Canada's participation in the three Indo-China commissions. In addition, both in Ottawa and at Canadian diplomatic posts in countries which have a particular interest in the problems of Indo-China, other officers devote varying proportions of their time, depending on circumstances, to dealing with questions relating to or flowing from Canadian membership in the commissions.

PERSONS SERVING PENITENTIARY SENTENCES

Question No. 2,588—**Mr. Orlikow:**

1. How many persons were serving penitentiary sentences in each penitentiary in Canada during each year from 1960 to 1966 inclusive?

2. Of those persons serving penitentiary sentences, how many were (a) Indians within the meaning of the Indian Act (b) of Indian ancestry, in each penitentiary during each year 1960 to 1966 inclusive?

Hon. L. T. Pennell (Solicitor General): 1. The number of persons serving penitentiary sentences in each penitentiary in Canada as of March 31st in each year from 1960 to 1966 inclusive was:

Penitentiary Institutions	1960	1961	1962	1963	1964	1965	31 March 1966	31 December 1966
Newfoundland	25	34	46	30	30	26	41	9
Dorchester	662	713	750	720	795	748	713	735
St. Vincent de Paul	1635	1453	1304	1037	1153	1170	1167	1131
Federal Training Centre	431	407	458	405	420	419	411	258
Leclerc	—	304	374	549	586	623	635	561
Cowansville	—	—	—	—	—	—	33	149
Kingston	989	939	981	877	865	861	896	863
Collin's Bay	456	453	591	665	678	664	642	632
Joyceville	217	397	440	501	548	498	526	515
Prison for Women	124	124	126	111	121	114	118	84
Manitoba	417	427	505	531	589	574	572	462
Saskatchewan	640	732	778	803	789	804	776	693
British Columbia	748	755	803	979	1077	1017	852	852
Matsqui	—	—	—	—	—	—	62	M-133 F- 24
All Institutions	6344	6738	7156	7219	7651	7518	7444	7101

2. Penitentiary service records of persons serving penitentiary sentences during the years 1960 to 1966 inclusive do not enable a clear distinction to be made in every case between those who were (a) Indians within the meaning of the Indian Act (b) of Indian

ancestry or (c) of non-Indian ancestry. It is known, however, that there were persons of Indian origin in penitentiaries on January 31, 1965, as follows: Dorchester 8; Manitoba 133; Saskatchewan 101; British Columbia 83.

APPEALS TO INCOME TAX APPEAL BOARD

Question No. 2,594—**Mr. Langlois (Mégantic):**

1. Has the tax appeal board ever had any members who were not lawyers?

2. If so, in each case (a) in what year (b) who were these members (c) what was their occupation in each case before being appointed to the board?

3. How is a member of the tax appeal board appointed to hear any particular appeal?

4. With reference to section 88(2) of the Income Tax Act, does the chairman or the board appoint members for the hearing and determination of appeals, by means of a resolution, or by any other method?

5. During the past ten years were any appeals heard by more than one member at a time and, if so, how many, and for what reasons?

6. How many times has section 88(3) of the Income Tax Act been applied in the hearing of an appeal, during the past ten years?

Hon. E. J. Benson (Minister of National Revenue and President of the Treasury Board): 1. No.

2. N/A.

3. A member is appointed to hear appeals by the chairman under the provisions of section 88(2) of the Income Tax Act.

4. By direction of the chairman.

5. Yes, 120; to provide experience to new members or because of the complexity of the appeal if, in the opinion of the chairman, it so warranted. This latter means has only been used on two occasions in the last ten years.

6. 32.

TAX APPEAL BOARD

Question No. 2,600—**Mr. Godin:**

1. How does parliament control or supervise the activities of the tax appeal board?

2. During the past ten years (a) who were the members of the tax appeal board (b) how many of these spoke (i) French (ii) English (iii) how many were bilingual?

3. How many chairmen of the board have there been whose mother-tongue was (a) French (b) English?

4. How many vice-chairmen of the board have there been whose mother-tongue was (a) French (b) English?

5. During the past ten years, how many decisions by the tax appeal board were made in (a) French (b) English (c) both languages?

6. When making a decision, what criteria are used by the board in choosing the appropriate language?

7. Can an appellant choose the language in which the decision will be handed down?

8. Does the tax appeal board report to the government on its activities and, if so, in what way?

Hon. E. J. Benson (Minister of National Revenue and President of the Treasury Board): 1. Parliament does not control or supervise the activities of the tax appeal board, which by section 91(3) of the Income Tax Act is a court of record.

2. (a) F. Monet, Q.C.; C. L. Snyder, Q.C.; R. S. W. Fordham, Q.C.; W. S. Fisher, Q.C.; M. Boisvert, Q.C.; J. Panneton, Q.C.; J. D. C. Boland; J. O. Weldon, Q.C.; R. St-Onge; W. O. Davis, Q.C. (b) (i) 5 (ii) 10 (iii) 5.

3. (a) 1; (b) 2.

4. (a) 1; (b) 2.

5. (a) 248; (b) 1,752; (c) None.

The figures given are for judgments with written reasons only.

6. The language in which the appeal is filed and/or heard.

7. Yes. (See 6.)

8. No.

CONTRACT FOR MAIL COLLECTION, QUEBEC

Question No. 2,630—**Mr. Caouette:**

1. Who holds the contract for collecting mail from letter boxes in Lauzon, Lévis, Saint-David and Saint-Romuald?

2. Were tenders called?

3. If so (a) what is the name of each of the tenders (b) what amount was quoted by each (c) to whom was the contract awarded?

[*Translation*]

Hon. Jean-Pierre Côté (Postmaster General): 1. Service is being performed by Mr. Jean-Baptiste Carrier under a temporary agreement.

2. Tenders were called for a combined urban service at Lévis which would include street letter box collections, parcel post delivery and special delivery items. These tenders were due the 8th June 1966.

3. (a) and (b). Jean-Baptiste Carrier, 706 Commerciale, St-David, 13½ cents per item; Oscar Couture, 13 L'Abbaye, St-Romuald, 13½ cents per item; Boulanger & Frères (Germain and Roger Boulanger), 71 Ste-Dominique, Bienville (Lévis), 18 cents per item; Paul-Émile Gosselin, 7 Ste-Anne, Lauzon, 22 cents per item; Late tenders: Gaston Guay, 66 Samson, Lévis, 32 cents per item; Adéodat

Cliche, 300A Woolfe, Lévis, 20 cents per item; (c) Contract was not awarded. New tenders are being called for a contract to become effective 1st July 1967.

[*English*]

ASSISTANCE TO INDIAN FAMILIES, YUKON

Question No. 2,674—**Mr. Nielsen:**

Over the 12 month period preceding the recent deaths of Silas Alfred, Mary Alfred, Emily Alfred and David Alfred at Minto in the Yukon Territory, what monthly assistance was given to each by the Indian affairs branch in terms of, money, food, clothing, medical attention or other aid?

Hon. Arthur Laing (Minister of Indian Affairs and Northern Development): Silas and Mary Alfred, as a married couple, were eligible to receive assistance together as a unit in the event of Silas's being unable to meet their joint needs. They were not on regular assistance. In the period in question they received one order for food in the amount of $70 in November, 1966.

Emily Alfred, listed in departmental records as Emily Charlie received $45 every month for food prior to and throughout the period in question. This was issued in the form of an agency cheque. She also received a clothing order in March, 1966 amounting to $31.

David Alfred, listed in departmental records as David Charlie, was not a member of the Silas Alfred household. He lived with his grandmother and shared in assistance issued to her household. By agency cheque she was issued $85 each month for food for the period December, 1965 to June, 1966; $70 each month for the period July, 1966 to December, 1966 and $80 in January, 1967.

Medical services to Indians are a matter which falls within the responsibility of the Department of National Health and Welfare. Indian affairs branch has no record of any aid given.

COMMUNITY DEVELOPMENT OFFICERS, INDIAN AFFAIRS

Question No. 2,683—**Mr. Orlikow:**

1. Arising out of the answer to question No. 2,177, answered on February 8, 1967, when did the following community development officers, who are listed as being on staff as of February 8, 1967, leave employment with the department, either through resignation or dismissal: R. G. Helbecque; M. Coquet; G. T. Gambill; I. Beaulieu?

2. Where are the following community development officers, listed as working for the department as of February 8, 1967, employed: G. Rouleau, E. G. Russell, C. Thompson?

[Mr. Côté (Longueuil).]

3. Are the following community development officers, who were on staff as of February 8, 1967, working on Indian reservations or in an administrative capacity with the department and, if so, in what cities are they working: Miss M. M. Gillis, W. McFarlane, Miss F. Y. Osborne, Miss M. M. Stott, G. C. Crockett, K. D. Uppal, A. Spence, T. R. Kelly, W. J. Wacko, R. J. C. Ford?

Hon. Arthur Laing (Minister of Indian Affairs and Northern Development):

1. Name		Date of Separation
R. G. Helbecque	*1	December 30, 1966
M. Coquet	*2	November 5, 1966
G. T. Gambill	*1	January 15, 1967
I. Beaulieu	*2	November 16, 1966

*1—Although the reply to question No. 2,177 did not appear in the *House of Commons Debates* until February 8, 1967, the department's reply was forwarded to the Secretary of State Department on December 21, 1966 which is previous to the separation date of Messrs. Helbecque and Gambill.

*2—Official documentation from the area personnel officers covering the separation of Messrs. Coquet and Beaulieu had not been recorded at headquarters prior to submitting the reply to question No. 2,177.

2. G. Rouleau, Quebec, P.Q.; E. G. Russell, Lethbridge, Alberta; C. Thompson, Ahousat, B.C.

3. Yes, with the exception of Mr. K. D. Uppal who has been promoted to the position of regional supervisor of social programs for the province of Saskatchewan with an effective date of February 1, 1967. The others are working in the cities shown below: Miss M. M. Gillis, Amherst, N.S.; Mr. W. McFarlane, Toronto, Ontario; Miss F. Y. Osborne, Toronto, Ontario; Miss M. M. Stott, Winnipeg, Manitoba; Mr. G. C. Crockett, Winnipeg, Manitoba; Mr. A. Spence, Regina, Saskatchewan; Mr. T. R. Kelly, Edmonton, Alberta; Mr. W. J. Wacko, Edmonton, Alberta; Mr. R. J. C. Ford, Vancouver, B.C.

INFORMATION TO IMMIGRANTS RESPECTING ENGLISH AND FRENCH LANGUAGES

Question No. 2,709—**Mr. Allard:**

In the 34 cities abroad in which the Department of Manpower and Immigration maintains recruiting offices, do the 435 employees, either from Canada or employed locally (a) supply prospective immigrants with publicity printed in both official languages of Canada (b) inform prospective immigrants that English and French are the two official languages of Canada?

[*Translation*]

Mr. J. C. Munro (Parliamentary Secretary to Minister of Manpower and Immigration): (a) Publicity material prepared by the Department of Manpower and Immigration is printed in English and French and a number of other languages. Wherever possible these publications are supplied to prospective immigrants in their own language. If publications are not available in the native language they are provided in either French or English. (b) Yes.

[*English*]

PAY DIFFERENCES BETWEEN MEDICAL AND DENTAL OFFICERS

Question No. 2,710—**Mr. Brand:**

What are the reasons for the vast differences in basic and increment pay between a captain medical officer and a captain dental officer in the first three years of service?

Hon. Léo Cadieux (Associate Minister of National Defence): To establish rates of pay for newly graduated dental and medical officers in the rank of captain on October 1, 1966, comparison was made with the starting rates in effect for dental and medical officers 1 employed in the public service. The differences in these rates of pay are therefore the direct consequence of the corresponding salary scales in the public service.

GUESTS AT VIMY RIDGE OBSERVANCE

Question No. 2,719—**Mr. McIntosh:**

Who have been invited as guests of the government to participate in the ceremonies honouring the fiftieth anniversary of the battle of Vimy Ridge (a) at the Ottawa service, giving name and present address (b) at the Vimy service, giving the name, rank, original unit and present address?

Hon. Roger Teillet (Minister of Veterans Affairs): The invited guests of the government to participate in the ceremonies honouring the fiftieth anniversary of the battle of Vimy Ridge, at the Ottawa service and at the Vimy service, are as follows: (a) a survivor of each of the battalions and of the supporting arms and services which participated in the battle, (b) a representative of the Royal Canadian Legion and another from the National Council of Veterans Associations in Canada, (c) certain other distinguished persons including members of the Senate, the House of Commons and the Supreme Court, who participated in the battle, (d) the chairman of the standing committee on veterans affairs is being invited to attend the Vimy ceremony.

Survivors of the battle of Vimy Ridge are being selected by the commanding officers and colonel commandants of the present day regiments and corps which perpetuate those which fought at Vimy Ridge. Not all of the nominations have been received and their service in the battle of Vimy Ridge verified, therefore, it is not possible to provide at this time the nominal rolls requested.

RETURNING OFFICER, VILLENEUVE CONSTITUENCY

Question No. 2,733—**Mr. Caouette:**

1. Is Mr. Clément Fontaine of Val-d'Or returning officer for the constituency of Villeneuve?

2. If not (a) since what date, and (b) for what specific reasons was he relieved of his functions?

[*Translation*]

Mr. Albert Béchard (Parliamentary Secretary to Secretary of State): Yes, Mr. Clément Fontaine of Val-d'Or is the present returning officer for the constituency of Villeneuve.

[*English*]

ALTERATIONS IN CONFEDERATION BUILDING, OTTAWA

Question No. 2,749—**Mr. Bell (Carleton):**

1. Are alterations and improvements being undertaken in the Confederation building and, if so, what are they?

2. What is the purpose of such alterations and improvements?

3. Will any additional space be provided and, if so, how many square feet?

4. What is the estimated cost of such alterations and improvements?

5. When will they be completed?

Hon. G. J. McIlraith (Minister of Public Works): 1. Alterations and improvements are planned for this building. They consist of: General renovations of the space to be vacated by the Department of Agriculture with some minor partition changes; lighting improvement generally; installation of an improved fire alarm system; relocation of present library.

2. Consolidation of Treasury Board and Department of Finance within the Confederation building.

3. No.

4. It is not customary to reveal the estimated cost before tenders are called.

5. Fall of 1967.

Orders for Returns

*APPEARANCE BY HOUSE MEMBERS ON PROGRAM "FRONT PAGE CHALLENGE"

Question No. 2,763—**Mr. McCutcheon:**

1. Have any ministers of the present cabinet appeared on the C.B.C. T.V. program "Front Page Challenge" since January 1, 1967 and, if so, which ministers and on what dates did each appear?

2. Have any members of parliament belonging to (a) the Progressive Conservative party (b) the N.D.P. (c) the Social Credit or Creditiste party, appeared on the said program since January 1, 1967 and, if so, which members?

Hon. Judy V. LaMarsh (Secretary of State): Mr. Speaker, the C.B.C. has informed me that in addition to my own appearance on "Front Page Challenge" on February 13, the only other appearances on the program by any member of this house to date in 1967 were those of the Prime Minister on January 2 and of the Minister of Manpower and Immigration on March 13.

TENDERS FOR FEDERAL BUILDING, AMHERST, N.S.

Question No. 2,767—**Mr. Coates:**

On what date will tenders be called for the new federal building at Amherst, Nova Scotia?

Hon. G. J. McIlraith (Minister of Public Works): No date has been set.

QUESTIONS PASSED AS ORDERS FOR RETURNS

TRIPS BY AGRICULTURE MINISTER

Question No. 2,239—**Mr. Harkness:**

1. For the period from the appointment of the present Minister of Agriculture until November 30, 1966, what trips has the minister taken on government business and at the taxpayers' expense?

2. In each case (a) where was the trip to (b) what was the purpose of it (c) what was the cost (d) was a government plane used?

Return tabled.

COMMUNICATIONS RESPECTING EDUCATIONAL TELEVISION

Question No. 2,310—**Mr. Reid:**

Has the federal government or any of its agencies, including the C.B.C. or the Board of Broadcast Governors, had any communications with the various provinces concerning educational television (E.T.V.) and, if so (a) with what provinces (b) who initiated the correspondence (c) what is the content of this correspondence?

Return tabled.

[Mr. McIlraith.]

SALARY LEVELS, MANPOWER SERVICES AND UNEMPLOYMENT INSURANCE COMMISSION

Question No. 2,428—**Mr. Reid:**

1. What are the criteria used by the Public Service Commission in establishing the salary levels for various classifications of the Canada manpower services and the Unemployment Insurance Commission?

2. Were the recommendations of the Gill report used in determining the salary levels of Unemployment Insurance Commission staff and, if not (a) for what reason (b) what report, if any, was used?

3. What are the salary levels for the various staff classifications of the Canada manpower services and the Unemployment Insurance Commission?

4. If there are differences, what are the reasons for these differences?

5. What impact has the difference in salary scale on the calculation of superannuation for employees of the Unemployment Insurance Commission?

Return tabled.

COSTS OF REPRESENTATION ON INDO-CHINA CONTROL COMMISSIONS

Question No. 2,578—**Mr. Ryan:**

What have been the total all inclusive costs of Canada's representation on each of the three international commissions in Indo-China, in each full fiscal year, since the Geneva agreements were entered into, and what amounts of such costs has Canada borne in each case?

Return tabled.

MOTIONS FOR PAPERS

Mr. Albert Béchard (Parliamentary Secretary to Secretary of State): Mr. Speaker, notice of motion No. 219 is acceptable to the government, subject to the usual reservations concerning privileged papers.

Mr. Speaker, I ask that all other notices of motion stand.

STATEMENTS AT ROUYN-NORANDA BY MILITIA OFFICER

Motion No. 219—**Mr. McIntosh:**

That an order of the house do issue for a copy of all correspondence to or from the Minister of National Defence in connection with the statements allegedly made by Major Stanley H. Nudds, militia officer in Rouyn-Noranda on November 11, 1966.

Motion agreed to.

[*Translation*]

AGRICULTURE

DAIRY POLICY—MOTION FOR ADJOURNMENT UNDER STANDING ORDER 26

Mr. Gérard Laprise (Chapleau): Mr. Speaker, I would like to ask leave to make a

motion, seconded by the hon. member for Kamouraska (Mr. Dionne), for the adjournment of the house under standing order 26 for the purpose of discussing a definite matter of urgent public importance, namely the announcement of a dairy policy which does not permit producers of manufacturing milk to make a decent income from the sale thereof.

Mr. Speaker: Order. Considering the notice of motion of the hon. member for Chapleau (Mr. Laprise), I think it is my duty to inform him that the first item of business this afternoon is consideration of interim supply. As the hon. member will have the opportunity to discuss the subject matter of his motion during that debate, I do not think he can convince the Chair to change the order of business for this afternoon.

[*English*]

HOUSING

REPORTED ADVANCE BY CORPORATION TO YORK TRUST CO.

On the orders of the day:

Right Hon. J. G. Diefenbaker (Leader of the Opposition): Mr. Speaker, in the absence of the Minister of Labour, whose responsibility it is to deal with matters concerning C.M.H.C., I would ask whoever is acting as prime minister whether before we adjourn a statement will be made on behalf of C.M.H.C. setting out the basis upon which some $20 million was advanced by Central Mortgage and Housing Corporation in 1965 to one of the Sinclair Stevens' companies. This announcement has been made by the president of York Trust and Savings Company, who said the money was advanced because the company was in financial difficulties. I should like a statement to be made as to the basis on which such an advance was made, and whether advances like this are available to other companies that find themselves in financial difficulties.

Hon. Robert Winters (Minister of Trade and Commerce): I will take the question as notice, Mr. Speaker.

CO-OPERATIVES

INQUIRY AS TO INTRODUCTION OF LEGISLATION

On the orders of the day:

Mr. T. C. Douglas (Burnaby-Coquitlam): Mr. Speaker, may I direct a question to the Secretary of State, since I have been trying for some three years to obtain assurances that the co-operatives act is being prepared and since the Prime Minister said on December 16 last, as reported at page 11224 of *Hansard*:

> The government hopes to be able to consider the draft bill shortly. After that consideration I will be able to make an announcement to the house as to when it could be introduced.

I want to ask the Secretary of State whether, if the draft bill is ready, it has been submitted to the cabinet and how soon she expects to present it to the house.

Hon. Judy V. LaMarsh (Secretary of State): Mr. Speaker, I should like to tell my hon. friend that the responsibility for that matter, amongst others, was placed in the hands of the Registrar General of Canada on October 1.

Mr. Douglas: Mr. Speaker, may I then direct a question to the Registrar General and ask him what progress is being made in the matter of the national co-operatives legislation.

Hon. Guy Favreau (President of the Privy Council): Mr. Speaker, the hon. member will understand that in the circumstances I should take the question as notice so as to give him the most appropriate answer.

[*Translation*]

INCOME TAX

COLLECTION OF AMOUNTS OWING BY SUPPORTERS OF QUEBEC SEPARATIST LEADER

On the orders of the day:

Mr. Roland Godin (Portneuf): Mr. Speaker, my question is intended for the hon. Minister of National Revenue and President of the Treasury Board.

I have here a form entitled "Formal demand on third parties". That form was used by the Department of Revenue for the garnishee of $15 from the salary of a worker to whom the department had refused, in 1966, deduction of an expense account for 1965. Can the minister tell us if that worker could have spared himself that garnishee by stating that he supported Mr. Bourgault of the R.I.N.?

Mr. Speaker: Order.

[*English*]

INQUIRIES OF THE MINISTRY

On the orders of the day:

Hon. Marcel Lambert (Edmonton West): Mr. Speaker, my question is directed to the Acting Prime Minister in the absence of the

Minister of Finance. I wonder whether the government's acceptance of the amendment to clause 75 (2) (g) of the Bank Act, now known as the yo-yo clause, after the declaration of the Minister of Finance some time ago that that clause in the bill constituted a principle, is actually a derogation from that principle.

Mr. Speaker: Order, please.

Mr. Martin (Essex East): That is a yo-yo question.

Mr. Eric A. Winkler (Grey-Bruce): Mr. Speaker, I have a question for the Acting Prime Minister which will require only a short explanation. For the last two weeks I have endeavoured to press my best judgment upon the Minister of Agriculture. Now I will ask the Acting Prime Minister whether he would use his good offices to remove that city slicker from office, because there are other Irishmen aspiring for the job.

Mr. Speaker: Order, please.

Hon. Paul Martin (Acting Prime Minister): Mr. Speaker, I think you would agree that this kind of an observation from a beloved gentleman who is about to retire from this house is hardly appropriate as his last speech.

Some hon. Members: Oh, oh.

Mr. Speaker: Order, please.

Mr. Winkler: Mr. Speaker, on a question of privilege—

Mr. Speaker: Is this the hon. member's last speech?

Mr. Winkler: Mr. Speaker, I rise on a question of privilege to assure Your Honour and every other hon. member and friend in the house that this is not my last speech.

EXTERNAL AFFAIRS

INQUIRY AS TO RECOGNITION OF SIERRA LEONE

On the orders of the day:

Mr. Howard Johnston (Okanagan-Revelstoke): Mr. Speaker, I wish to direct my question to the Acting Prime Minister. Can he tell us whether the Canadian government has officially recognized the commonwealth country of Sierra Leone?

[Mr. Lambert.]

NORTH VIET NAM—TRIP BY C.B.C. TELEVISION CREW

On the orders of the day:

Mr. W. B. Nesbitt (Oxford): Mr. Speaker, first of all I should like to congratulate the Secretary of State for External Affairs and the government on the appointment of Mr. Charles Ritchie as high commissioner to the United Kingdom.

Some hon. Members: Hear, hear.

Mr. Nesbitt: I have a question for the Secretary of State for External Affairs. Can he tell us whether his department has made arrangements for obtaining visas for the members of the C.B.C. television camera crew who are on board a ship en route from Hong Kong to Haiphong in North Viet Nam, accompanying the delivery of medical and other supplies from Canada to North Viet Nam; and is this expensive trip being made at the suggestion of the government?

Hon. Paul Martin (Secretary of State for External Affairs): Mr. Speaker, the answer to the last part of the question is no. May I say with regard to the other part of the hon. member's question concerning visas for other countries that of course they have to be accorded by the appropriate country.

Mr. Nesbitt: I have a supplementary question, Mr. Speaker. Is the minister suggesting that the Department of External Affairs has made no arrangements for that trip to North Viet Nam?

Mr. Speaker: Order, please. The supplementary question is argumentative.

GHANA—PROVISION OF ADVISERS TO PROMOTE TOBACCO PRODUCTION

On the orders of the day:

Mr. W. H. A. Thomas (Middlesex West): I have a question for the Minister of Agriculture. Has he sent or is he planning to send technical advisers to Ghana to promote increased production of tobacco in that country?

Mr. Speaker: Order, please.

AGRICULTURE

EFFECT OF DAIRY POLICY ON FLUID MILK SURPLUS

On the orders of the day:

Mr. Ed. Schreyer (Springfield): My question is addressed to the Minister of Agriculture. Can he tell us whether there is anything in

the new dairy policy which would change the amount of the fluid milk surplus eligible for price support?

Hon. J. J. Greene (Minister of Agriculture): Mr. Speaker, I think this statement speaks for itself. By virtue of the agreement which was reached last summer with the provinces of Ontario and Quebec we have agreed to assume the responsibility of price support for the manufacturing milk industry. In the coming year we will let the provinces deal with the matter of fluid milk so as to avoid mixed jurisdiction.

[*Later:*]

Mr. H. A. Moore (Wetaskiwin): I have a question for the Minister of Agriculture. Is the price of $4.75 per hundredweight for all manufacturing milk a guaranteed price under the new dairy policy, or is it conditional on certain other factors?

The second part of my question is whether under the new policy the milk distributing shippers will not be selling a large percentage of their milk for a price well under $4 per hundredweight, as has been the practice in the past year. My question refers to provinces other than Ontario and Quebec, with which the minister said agreements have been made.

Mr. Greene: Mr. Speaker, as has been stated, price fixing mechanisms are a provincial responsibility. In the opinion of the Canadian Dairy Commission the price support program should maintain the level of $4.75, but price fixing to ensure this level comes within the authority of the provinces.

Mr. Moore: I have a supplementary question, Mr. Speaker. Does the minister not realize that although—

Mr. Speaker: Order, please. The hon. member is asking an argumentative question when he prefaces it in this way.

Mr. Moore: May I rephrase it then, Mr. Speaker. Is the surplus milk not sold as manufacturing milk rather than fluid milk? I am referring to the 20 per cent surplus milk.

Mr. Speaker: Order. The question is argumentative.

[*Translation*]

Mr. Gérard Laprise (Chapleau): Mr. Speaker, I should like to put a supplementary question to the Minister of Agriculture, and ask him whether he read the brief submitted by the Federation of Dairy Producers of Canada asking for a subsidy not only for the hundredweight of milk but also for the sale of manufactured products, namely butter, powdered milk and casein.

Mr. Speaker: Order. The question as put is not acceptable.

[*English*]

Right Hon. J. G. Diefenbaker (Leader of the Opposition): Mr. Speaker, on a question of order, the hon. member for Wetaskiwin asked a question regarding the price received by producers of milk in western Canada, and wanted to know what the price would be. I feel sure Your Honour did not fully apprehend the nature of the question, which with great deference is one that requires to be answered. The situation today is such that in parts of the country producers of milk are getting only $4 per hundredweight instead of something more.

Mr. Speaker: The question by the Leader of the Opposition, I must say, is asked in the same way as the one asked by the hon. member for Wetaskiwin, and is certainly argumentative.

Mr. Diefenbaker: I was speaking of his question, Mr. Speaker. Would Your Honour allow the hon. member for Wetaskiwin to ask a question for the purpose of getting information in respect to something the western farmer wants to know about?

Mr. Speaker: Order. The Leader of the Opposition knows I can refuse him nothing. The hon. member for Wetaskiwin.

Mr. Moore: Thank you, Mr. Speaker. I should like to know whether the minister is aware that the 20 per cent milk referred to is sold as manufacturing milk and therefore is under federal jurisdiction in the matter of subsidies. For this milk the farmers are receiving at the present time less than $4 per hundredweight.

Mr. Speaker: Order. I have gone as far as I can. I have allowed the hon. member to ask his question again, but I am still convinced that as asked it is argumentative.

[*Later:*]

Mr. Schreyer: Mr. Speaker, I wish to direct a question to the Minister of Agriculture. Is there anything in the new policy to reduce the differential in payments as between shippers of cream and shippers of manufacturing milk?

Inquiries of the Ministry

Mr. Greene: Mr. Speaker, cream shippers under the new program, as under the old, are treated in exactly the same manner as shippers of whole milk are treated.

HOUSING

OTTAWA—STEPS TO PREVENT RENT INCREASES DURING EXPO

On the orders of the day:

Mr. Ian Wahn (St. Paul's): Mr. Speaker, my question is directed to the Minister of Trade and Commerce in his capacity as the minister responsible for administering Logexpo. Can some action be taken to prevent unreasonable increases in rent in the Ottawa area at the time of Expo?

Hon. Robert Winters (Minister of Trade and Commerce): Mr. Speaker, I suppose this is a matter within provincial jurisdiction, but I will refer it to the Ontario government and ask them whether they are contemplating any action.

HIGHWAY SAFETY

REQUEST FOR CABINET CONSIDERATION OF COMMITTEE RECOMMENDATIONS

On the orders of the day:

Mr. Heward Grafftey (Brome-Missisquoi): Mr. Speaker, my question, which I direct to the Acting Prime Minister, is based on the report and recommendations which were tabled yesterday by the justice and legal affairs committee concerning highway automobile deaths and injuries. Because the motor vehicle industry is now finalizing its plans for 1968 models, will the minister assure the house that the government will seriously consider the recommendations contained in this report without delay, so that action can be taken in time?

Mr. Speaker: Order. The question is much too general in nature, and I suggest to the hon. member that it cannot be asked at this time.

Mr. Grafftey: Mr. Speaker, this is a specific question.

Some hon. Members: Order.

Mr. Grafftey: My specific question, which is extremely urgent and which I will reword, is this.

Some hon. Members: Oh, oh.

Mr. Grafftey: I will ask it when there are a few less interruptions from the trained seals.

Mr. Speaker: Order, please.

[Mr. Schreyer.]

Mr. Grafftey: My question is this. Yesterday the justice and legal affairs committee made specific recommendations on highway automobile deaths and injuries. The motor vehicle industry is now completing its plans for 1968 models. Because of this, will the government give serious consideration to this report so that action can be taken in time?

Mr. Speaker: Order. I must maintain my opinion which I expressed earlier.

FISHERIES

NOVA SCOTIA—REQUEST FOR PROTECTION AGAINST THEFTS OF TRAWLERS

On the orders of the day:

Mr. Lloyd R. Crouse (Queens-Lunenburg): Mr. Speaker, I wish to address a question to the Minister of Transport. In view of the fact that the trawler *Cape Spry* of 191 tons was stolen last week by one man, and the 84 foot trawler *Hansen* was stolen last night by two men and is now at sea, has the Minister of Transport given any thought to establishing special regulations which will prevent a reoccurrence of these thefts and provide some protection to trawler owners?

Hon. J. W. Pickersgill (Minister of Transport): Mr. Speaker, as these acts took place within territorial waters I would not want to invade the jurisdiction of the attorney general of Nova Scotia.

Mr. Crouse: A supplementary question. It is evident that the one man show which was put on by one of the cabinet ministers has had a serious effect on our east coast fishermen. Will the minister use his good offices to see that this bad example is not followed in the future?

[*Translation*]

NORTHERN AFFAIRS

QUEBEC—REFERENDUM RESPECTING JURISDICTION OVER ESKIMOS

On the orders of the day:

Mr. Gilles Grégoire (Lapointe): Mr. Speaker, I should like to put a question to the Minister of Indian Affairs and Northern Development. Can he tell us whether it is true that his department intends to hold shortly a surprise referendum among the Eskimos of northern Quebec on their right to self-determination and to decide who is going to have jurisdiction on them, the federal government or the Quebec government?

[*English*]

Mr. Speaker: The hon. member for Yorkton.

[*Translation*]

Mr. Grégoire: Mr. Speaker, I think the minister was ready to answer the question; he was merely waiting for the end of the translation.

Mr. Speaker: This is not the impression I had.

[*English*]

Mr. G. D. Clancy (Yorkton): Mr. Speaker, with your indulgence I will put my question to the Minister of Public Works—

[*Translation*]

Mr. Grégoire: I rise on a point of order, Mr. Speaker.

Mr. Speaker: Order. May I ask for the hon. member's co-operation. I have already recognized the hon. member for Yorkton (Mr. Clancy) and I shall come back to the point of order immediately after.

[*English*]

Mr. Clancy: Mr. Speaker, with your indulgence I will put my question to the Minister of Public Works on the order paper.

Mr. Speaker: The hon. member for Lapointe (Mr. Grégoire), on a point of order.

[*Translation*]

Mr. Grégoire: Mr. Speaker, my point of order is the following: I saw the minister rise. I would like to ask him the same question again, so that he may answer.

[*English*]

Mr. Speaker: Order, please. Did the minister intend to reply to the question?

Hon. Arthur Laing (Minister of Indian Affairs and Northern Development): Mr. Speaker, in 1964 certain negotiations were entered into between ourselves and the appropriate minister of the province of Quebec in respect to turning over certain functions in Nouveau Quebec. These negotiations have continued among ourselves and no change will be made until consultation is made with the Eskimo people themselves. It might be that within a matter of two or three months I shall have something to report to the house.

[*Translation*]

Mr. Grégoire: A supplementary question, Mr. Speaker. Could the minister tell us whether a group of Protestant ministers from New Quebec has exerted any pressure for the holding of a referendum in the next few days, alleging that Eskimos at this time and under special circumstances, would choose federal jurisdiction?

[*English*]

Mr. Laing: I know nothing about this, Mr. Speaker.

AGRICULTURE

POTATOES—INQUIRY AS TO ASSISTANCE TO PRINCE EDWARD ISLAND PRODUCERS

On the orders of the day:

Mr. David MacDonald (Prince): Mr. Speaker, my question is directed to the Minister of Agriculture. I would ask the minister if he could tell the house whether the agricultural stabilization board has yet come to a decision about assistance to the Prince Edward Island potato industry this spring.

Hon. J. J. Greene (Minister of Agriculture): Mr. Speaker, an announcement was made this morning concerning assistance to producers who have a surplus of potatoes at the present time. I believe this assistance is to a maximum of about $1,200 per producer, which compensates them for the loss of up to 1,000 barrels a head.

TRADE

SALE IN CANADA OF GOODS CONFISCATED IN CUBA

On the orders of the day:

Mr. J. R. Keays (Gaspé): Mr. Speaker, a few days ago the Minister of Trade and Commerce offered to answer a question I had put to him concerning the importation into Canada of seized Cuban goods. I wonder whether he is in a position to answer today.

Hon. Robert Winters (Minister of Trade and Commerce): Yes, Mr. Speaker. This question concerned the auctioning of goods imported into Canada from Cuba. In so far as the Department of Trade and Commerce is concerned this is not an illegal transaction and therefore there is no basis for stopping it. At the same time, I must say that this is not a significant item and is not apt to be a continuing item of commerce.

Mr. Keays: A supplementary question. Surely the minister is aware that these goods which are entering Canada are "blood" goods, and the government should give extra consideration to limiting them.

Mr. Speaker: Order, please.

Inquiries of the Ministry

EXPO '67

COMPLAINTS RESPECTING REQUESTS FOR ACCOMMODATION

On the orders of the day:

Mr. Ian Watson (Châteauguay-Huntingdon-Laprairie): Mr. Speaker, I have a question for the Minister of Trade and Commerce concerning Logexpo. In view of recent reports that there have been serious delays at Logexpo in replying to accommodation inquiries received from the United States, will the minister assure the house that Logexpo has informed, or will immediately inform, all major United States tourist agencies, automobile clubs and air lines that it can now process without delay all inquiries it receives?

Hon. Robert Winters (Minister of Trade and Commerce): Yes, Mr. Speaker, I will be glad to do that. The work of Logexpo has improved tremendously during the past few weeks. It is receiving over 30,000 requests per week, and these are increasing. However, we will now get out a notice of the kind mentioned by the hon. member and inform all concerned.

EXTERNAL AFFAIRS

ARRANGEMENTS FOR VISIT BY GENERAL DE GAULLE

On the orders of the day:

Mr. W. B. Nesbitt (Oxford): Mr. Speaker, I have a question for the Secretary of State for External Aflairs. Is the Department of External Affairs making the arangements for the visit of General de Gaulle to Quebec city and Expo '67 next June, or are these ararngements being made by the government of the province of Quebec?

Hon. Paul Martin (Secretary of State for External Affairs): Mr. Speaker, it is well known that visits to Canada by heads of state or heads of government are made as the result of consultations with the government of the country to be visited. There have been informal discussions between the government of Canada, through myself, and the French ambassador in Ottawa with regard to this visit, but the details have not yet been finalized.

Mr. Nesbitt: A supplementary question, Mr. Speaker. I thank the minister for what he has said, but he did not answer the question. Is the government of Quebec not making the arrangements for the visit of General de Gaulle?

[Mr. Speaker.]

Mr. Martin (Essex East): Mr. Speaker, if my hon. friend has not understood me he must understand that I cannot give him understanding. I stated clearly that the arrangements were being made by the government of Canada. This does not of course preclude arrangements for heads of state or heads of government to visit other parts of Canada. I should think it would be the most natural thing in the world, if and when General de Gaulle decides to visit Canada, that among the places he would visit would be the province of Quebec where is found a majority of those speaking the French language. I might express the hope too that so distinguished a man as the head of the government of France would also find it desirable to visit other sections of Canada.

Some hon. Members: Hear, hear.

COMMUNICATIONS

REQUEST FOR COMMITTEE CONSIDERATION OF REPORT ON SPACE PROGRAM

On the orders of the day:

Mr. John M. Reid (Kenora-Rainy River): Thank you for recognizing me, Mr. Speaker, I have had a good half hour of exercise rising and sitting down. My question is for the Minister of Transport. Would the minister consider sending the relevant sections of the science secretariat special study No. 1 on the upper atmosphere and space program for Canada, dealing with Canadian participation in space satellite communications, to the committee on transport and communications for study?

Mr. Speaker: Order, please. This question should be placed on the order paper.

Hon. J. W. Pickersgill (Minister of Transport): Mr. Speaker, since one hon. member has been asking about one committee perhaps I might reply to the hon. member for Kenora-Rainy River about a matter that I think is rather urgent, this new and revolutionary method of communication by satellite. As we need to know a lot more about this subject in order to form intelligent judgments about this important matter I think it would be very desirable to refer it in some appropriate way to a parliamentary committee. I shall endeavour to make a suggestion to my colleagues to make this possible immediately after Easter.

Mr. Thomas M. Bell (Saint John-Albert): A supplementary question, Mr. Speaker. Since

the minister seems to want to send this matter to the committee on transport and communications will he also refer to that committee the survey on icebreaking in the St. Lawrence, another subject about which we need to know much more?

Mr. Pickersgill: I would be glad to do that once we have dealt with satellites and Air Canada, about which the hon. member asked yesterday.

Mr. David MacDonald (Prince): A further supplementary question, Mr. Speaker. With regard to referring the matter of satellites to the committee on transport and communications would the government not think it wise to refer this matter also to the broadcasting committee, which also has a great interest in this subject?

Mr. Pickersgill: I did not mention the committee on transport and communications. I thank the hon. member for interpreting my mind. The government would have to consider the nature of the reference. The appropriate committee would probably depend on the nature of the reference.

Mr. T. C. Douglas (Burnaby-Coquitlam): A further supplementary question, Mr. Speaker. I would ask the Minister of Transport, since he is making the commendable move of sending the question of communication satellites to the committee on transport and communications—

Some hon. Members: Oh, oh.

Mr. Douglas: —or to the broadcasting committee, to use his good offices with his colleague the Minister of Industry, not to discontinue payments to the HARP project until such time as this matter has been finally settled. Otherwise the HARP project may fall by the wayside and the opportunity of dealing adequately with communications satellites may be lost.

Mr. Pickersgill: I have noted the hon. gentleman's representations.

Mr. Arnold Peters (Timiskaming): A further supplementary question, Mr. Speaker. Will the minister not consider the present application of the Bell Telephone Company for an amendment to the legislation governing it as a suitable vehicle to bring this matter to the attention of the government?

Mr. Pickersgill: I should think that is a debate, sir.

Mr. S. J. Korchinski (Mackenzie): A further supplementary question, Mr. Speaker, to the Minister of Transport. Could he see whether he could not hurry along the answer to my question on the order paper so that my colleagues may not tear my questions apart and I may get the answers and be able to put a further question to the government on the procedures that they expect to follow in regard to this matter?

Mr. Pickersgill: When I have sorted out the hon. gentleman's question I shall try to answer it.

CRIMINAL CODE

POSSIBLE AMENDMENTS WITH RESPECT TO FAMILY PLANNING

On the orders of the day:

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, may I direct a question to the Acting Prime Minister. Has the government yet made a decision with respect to the recommendation of the standing committee on health and welfare that the subject of birth control be removed from the Criminal Code of Canada? May we expect legislation on this matter during the present session?

Hon. Paul Martin (Acting Prime Minister): I shall have to take that question as notice.

MAIN ESTIMATES, 1967-68

MOTION FOR REFERENCE TO COMMITTEE OF SUPPLY

Hon. E. J. Benson (Minister of National Revenue and President of the Treasury Board): Mr. Speaker, I should like the permission of the house to revert to motions to move a motion with respect to the estimates.

Mr. Speaker: Is this agreed?

Some hon. Members: Agreed.

Mr. Benson moved:

That the message of His Excellency together with main estimates, 1967-68, presented to the house on Monday, March 13, 1967, be referred to the committee of supply.

Motion agreed to.

SUPPLY

The house in committee of supply, Mr. Batten in the chair.

DEPARTMENT OF AGRICULTURE

17g. Grants, contributions and subsidies in the amounts and subject to the terms specified in the sub-vote titles listed in the details of estimates, $94,387,000.

Mr. Horner (Acadia): Mr. Chairman, I think we should be remiss in our duty if these supplementary estimates carried without serious words of caution being uttered to the government about the grave situation the agricultural industry finds itself in today. Taking a broad look at the agricultural picture we see many farm papers in western Canada calling for a conference of the agricultural leaders of this country. A conference is urged in order that an agricultural policy may be designed. This is what the farm papers are saying. Strange as it may seem, we have been studying the agriculture estimates in this parliament year after year and the government has been in office for three full years, yet farm papers are asking for a conference to design an agricultural policy. This should appear strange to anyone who is concerned about agriculture.

• (3:40 p.m.)

A new Minister of Agriculture took office in 1965. One would have expected a definite statement from him with regard to agricultural policy. But none has been forthcoming. He has travelled across the country, particularly to western Canada where he condemned the railways for not moving grain fast enough. But when the opposition urged the government to consider the problems of the grain farmers during the passage of the controversial transport bill the minister did not take part in the debate. He was not even in the house at that time.

A major debate has just taken place on the Bank Act. Three weeks ago the minister went out west and instead of concerning himself about agricultural policy he condemned the banks generally and said they had failed the farmers. This is not quite true. I can honestly say that in the last 20 years the banks have been reasonably good friends of the farmers, though they could have done better. The Bank Act which we passed last night could have been changed so as to improve the farmers' position. Instead of laying down a firm policy which would cover the broad spectrum of agriculture, the minister went out west and condemned the banks. A better course would have been to take part in the debate on the Bank Act, to point out areas in which the banks have failed to help the farming industry, and to seek to improve the bill. But the minister did not take part in the debate. Recently he condemned the businessmen. He would be better engaged if he would lay down the broad outlines of a general policy.

We realize he has tried to bring about an improvement in the dairy industry. Continuing a policy which we had laid down for the establishment of a dairy council for all Canada, he arranged a $4 price for milk. It did not work. We have seen farmers putting cavalcades of tractors on the roads in protest against the milk price which the minister announced. He went out west two or three months ago to speak in Winnipeg at a conference of the Canadian Federation of Agriculture. He stated without equivocation that there should be no further subsidies given to the dairy industry. Yet today we have heard the announcement of a further subsidy. This is not a policy which will uplift the industry as a whole.

For some time Canada has been obliged to import butter from New Zealand. Can we stand here as legislators and say we have provided a whole market for our dairy products and an incentive to our farmers to produce the butter to supply our needs? How can the minister say he has brought any benefit yet to the dairy industry when for the first time in 20 years we are obliged to import butter?

We are importing some $800 million worth of agricultural products which could be grown in Canada. If an agricultural conference were held, as has been suggested, certain segments of these imports could be designated as capable of being provided by our own industry here in Canada.

I believe it is about a year and a half ago that the Minister of Agriculture told us 40 per cent of our farms today were providing a good standard of living, 30 per cent were on the verge of making the grade and the other 30 per cent were too small to make a profit and might as well quit. Is this the position he wants Canadian farmers to accept, that 30 per cent of them might as well quit? Is he saying that he has given up hope for them and does not intend to provide them with an incentive to stay in business? I hope not. As the leader and spokesman for the industry the minister must be prepared to lead. Where some farmers feel there is no hope he must provide them with hope. He must give them an incentive and, if necessary, see that they receive adequate prices to enable them to stay in business.

There is no reason why an agricultural land like ours should be importing $800 million worth of agricultural products which can be grown right here in Canada. All we need is

an incentive to produce these products ourselves. For example, when has it ever been stated definitely that sugar beets are a necessity and should be grown here in order to stabilize sugar prices? We cannot allow ourselves to depend entirely on Cuba. In a good year prices will go down but after a bad year prices will skyrocket, as happened recently. I am using this as an example. In the sugar beet industry we should ensure through deficiency payments that 20 per cent of the market is satisfied by the home-grown product. I do not have up to date figures in front of me, but the minister might be able to announce that 25 per cent of the sugar needed by the home market would be home grown.

Over the years 6,000 acres of marginal land in Ontario have fallen into disuse, land which four or five years ago produced fruits and vegetables. Today we are importing these products. Why? Why are we so anxious to get rid of 30 per cent of our farmers? Let us have some leadership. Let us have an agricultural conference which will confirm that the various regions of our country can produce the commodities we Canadians want. It might be argued that all tariffs should be abolished and that we should buy the food we need from the West Indies and from the United States. If this line of thought is carried to its logical conclusion we might just as well sit on our fannies and let the United States feed us. They can do it; they have surpluses. But throughout its history Canada has grown on the basis of its agriculture and it is up to the Minister of Agriculture to lay down a policy which will maintain in this country a strong and independent farming industry.

We know that today beef prices are down, pork prices are down, wheat prices are down. It is all very well for the minister to say he is hoping for an increase in the international wheat price. So far no increase has been achieved. About a year and a half ago the minister stated his belief that the world price should be raised 25 cents. So far nothing has happened. It is all very well for economists to tell us that by 1980 Canada will have to double the number of its cattle. This will not help today, tomorrow or next year. Farmers today are not particularly interested in what will happen in 1980. They want a dollar in their pockets today or tomorrow and if they do not get it they will go out of business. It is the duty of the minister to lay down policy, not to say that 40 per cent of our farmers are making good, that 30 per cent are on the verge and that the other 30 per cent should give up. What kind of leadership is this? What kind of incentive is this?

• (3:50 p.m.)

About a year ago I asked the Minister of Agriculture, "Are you aware of the acute hardship which the agricultural industry faces in hiring help"? He replied, "This is a problem but we are introducing unemployment insurance in the agricultural industry." I said this was not going to help. I told him I had noticed that in middle European countries and even in Great Britain there was a surplus of labour. I asked him to make a special effort to bring farm labour to Canada. At a meeting of the agricultural committee he replied that this was a very interesting thought but he had not really considered it.

I then asked the minister, "Will you consider it? Will you have the immigration authorities go over there and make a special effort? Will you have them advertise the need for farm help in Canada and the possibilities in agriculture?" It is still possible for any immigrant who wants to work in agriculture to come here and later own his own land. That is still possible in western Canada, and I believe it is still possible all across Canada.

Some time ago I asked the Minister of Manpower and Immigration if some effort would be made in this regard. He said no. The Minister of Agriculture said no. Where is the Minister of Agriculture going? What is he doing? This is what farmers all across Canada are asking. Farm papers continually ask, "What is he doing? Why is he not laying down some policy for agriculture?" It is an amazing thing that a minister who professes to be so concerned about the industry is not in the chamber to see his supplementary estimates pass.

Mr. Benson: Mr. Chairman, I rise on a point of order. Usually the final supplementary estimates are carried by the Minister of Finance or by the President of the Treasury Board. All ministers involved have not been required to be in the house. This has been the general practice and I object to my hon. friend referring to the absence of this particular minister.

Mr. Diefenbaker: It is contemptuous of parliament.

Mr. Benson: You did the same thing when you were in office.

Mr. Horner (Acadia): The farming people of today will judge his interest in the industry by his failure to attend.

Mr. Benson: He is here far more often than you are.

Mr. Horner (Acadia): The Minister of Agriculture goes across Canada telling the farmers that the railroads have failed the farming industry and that the banks have failed the farming industry. Then he goes to Toronto and says that businessmen do not understand the farming industry. He has to do more than talk to convince the farmers that he is really concerned about them.

What has the minister done for the agricultural industry since taking office? Not one solid piece of legislation has come before the house under his sponsorship. By order in council he has announced the formation of a dairy council. That is all, and it still remains to be seen whether that council will do something for the dairy industry. It was founded some nine months ago and established a price of $4 per hundredweight for milk. But that did not work because last summer we saw farm tractors parading on all the highways in eastern Canada.

Today the minister has offered milk producers a bigger slice of the carrot. But is this enough? It is not enough for him to say that he appointed a body to inquire into the farm machinery industry. Will this mean a lowering of farm machinery prices? That is very doubtful. In fact Professor Barber says it is not likely.

It is all very well for the Minister of National Revenue to stand up and say that the Minister of Agriculture does not have to be in the house. Certainly he does not have to be here, but if he wants to convince the farmers that he is concerned about their welfare he should be in the house taking part in this debate and laying down policy. If the minister cannot devise a policy he should call an agricultural conference, something which farm leaders have been seeking. They have told him, "If you cannot form a policy and nail down what Canada should be doing in agriculture, let us help you. We will be at the conference. We will assist you." I hope the minister takes their advice and heeds their warning because never before have we had a minister of agriculture so long in office with the whole industry still asking him, "What is your policy"?

Mr. Schreyer: Mr. Chairman, I should like to make a few remarks as a sequel to those of the member for Acadia. Anyone who has an intimate awareness of what is going on in the farming industry must admit that very disturbing trends are at work, which have accelerated within the past few years. The Minister of Agriculture has been in office for 18 months and hon. members have a right to expect a greater degree of tangible action by him. Up to now he has succeeded in projecting an image as a sort of Canadian Will Rogers, the image of a man who is aware of the problems that face the farming population. I do not question that he has this awareness, and so it is not too much to expect that by now he should have been able to place some legislation before the house which would show that the government was determined to grapple directly with the major problem of the agricultural industry.

The major problem is still the cost-price relationship and the indices showing the cost-price relationship are readily available. I believe the truth will come out ultimately that during the government's term of office problems within the agricultual industry have increased and its deterioration has accelerated. For example, let us consider the situation with respect to milk production. If it were not for the increased productivity per unit in milk production there would be a very alarming picture simply because the number of people prepared to remain in the dairy industry is decreasing with each passing year.

I wish to make particular reference to cream shippers. Butter supplies in Canada show a pretty clear pattern and one of the reasons why that pattern is at work is that the government's dairy policy actually militates against the cream shipper. I have heard it said, although I suppose it cannot be proven, that the government's policy is a deliberate attempt to ease people out of cream production, reduce the number of creameries and thereby add impetus to the trend toward consolidation of manufacturing plants in larger centres. This kind of policy militates against those smaller dairy producers who are the ones to feel most heavily the cost-price squeeze.

On a number of occasions and again today the Minister of Agriculture was given an opportunity to indicate whether or not the government was going to do anything to get rid of the negative differential in the price support received by the cream shippers. In reply to a question he said there was no differential. But the fact remains that almost every spokesman for the dairy industry has stated without equivocation to members on both

sides of the house that the present price support policy results in a negative differential to cream shippers. How can the minister make such a bald-faced statement contrary to the statement made by the organized dairy producers?

• (4:00 p.m.)

The minister was also asked whether there was any intention to change the basis upon which price support shall be paid on fluid milk surpluses in excess of 120 per cent of the quota. He replied that since this involved fluid milk it was a matter for provincial concern. Yet as the hon. member for Wetaskiwin attempted to point out, almost all surplus fluid milk goes into manufacturing and as a consequence is manufacturing milk when it is in excess of the fluid quota and therefore is properly a matter for concern on the part of the federal Department of Agriculture.

Surely members opposite and the minister are aware that the policy in respect of the payment of price support on fluid surpluses is not very practical at all because it is based only on that amount of surplus which is in excess of 120 per cent of the quota. The end result is that during most months of the year shippers of fluid milk receive support which is marginal and fractional. Certainly it does not amount to anything significant.

With regard to the general agricultural picture, surely the minister and his colleagues must be aware that, despite the unprecedented yields, the net income position of agricultural producers has not improved; in fact it has worsened. Gross income has increased and attempts are being made to point that out. What is not pointed out so consistently is that while gross income has increased so also has the operating expense, the cost of production, and the result is a net income picture which has shown a deterioration in the course of the past few years. What do we get from this government in response to that problem? We see an attitude of indolent nonchalance. The government takes the position that somehow they must depend on the natural market forces. The government refuses to take action in the face of the steadily deteriorating position which faces our agricultural industry.

The result of all this has been a steady exodus from rural areas and farming operations with the result that today, if one looks closely at the situation, one will find that the average age of active farm operators has increased statistically. Behind these statistics, of course, is a very poignant human story. In my own area of eastern Manitoba I have seen conditions develop whereby at the present time the number of farmers below the age of 55 in my home municipality is less than a dozen. One must ask what will happen a few years from now. How will the big transfer of land and production effort from one generation to the next take place? The young people, in the face of the present agricultural income position, are not anxious to take over. Even if the income position were somewhat better than it is, the changing habits of living and working have resulted in many people turning their backs on farming as a possible vocation. It seems evident, therefore, that in order to counteract this kind of development there must be a very substantial improvement in the farm net earnings position.

If I an repeating myself for the fourth or fifth time I do not make any apology because I believe that in respect of this problem there has been absolutely no indication of any concrete or significant action on the part of this government. The minister, of course, as I said earlier, has succeeded in projecting an image of himself as a man of the soil or a kind of Canadian Will Rogers, sort of rurally oriented. He has travelled throughout Canada, particularly western Canada and, as has been mentioned by the hon. member for Acadia, has taken swipes at the Canadian Pacific Railway and the banking institutions. If I may use a colloquial expression, he has raised hell with the banks because he alleges that they have not been generous enough in the granting of credit to farmers. Surely the minister is not of the opinion that the farming population of western Canada or anywhere else in Canada is 30 years behind the times and still thinks that it is the banking institutions which are the cause of their present difficulties. Credit is one thing which agriculture has received without too much difficulty within the last few years.

Many persons, as well as myself, have come to the conclusion that the problem is not so much one of agricultural credit as a problem of net income or capital formation. One cannot have capital formation without net income. No matter how much the restrictions on the granting of credit are eased, this will not get at the basic root of the problem unless something is done about the cost-price relationship. In that connection I suppose it is germane to mention that the position taken by the minister in respect of farm machinery prices was quite cute. I use that term advisedly. He let it be understood throughout the country and in the house that he was

somewhat chagrined about the pricing policies and practices of the farm machinery manufacturers, so much so that he wrote several letters to them in which he indicated his displeasure. When asked to produce these letters, however, he backed down. He gave some indication to members of the committee that he had received an undertaking from the farm machinery manufacturers that they would not increase their prices during the period when the machinery investigation commission was carrying out its study. He said that during this period they would not increase their prices by more than an average of 3 or 4 per cent. What was not indicated was the nature of this average of 3 or 4 per cent. Is it to be a weighted average?

There is quite a difference between the absolute cost of a tractor and cultivator, and a surflex discer. An increase of 5 per cent in tractor prices and 3 per cent in discer prices is not, for example, a 4 per cent true average. Is the minister talking about an average of the price increases for machinery which has the same relationship as the relationship in using one rabbit and one horse in making a stew? We really have not had an opportunity to question the minister more closely in this regard. It should be pointed out, however, that it is becoming more and more difficult with each passing year to fool the agricultural producers of this country. Now, after the minister has been in office for 18 months and after this government has been in office for four years, reasonable people are saying that it is time some substantial, significant, concrete and tangible action was indicated by this administration. Certainly, if it were only a matter of six months, eight months or one year, the argument could logically be advanced that it takes time to marshall all the facts in order to have a proper base on which to determine policy. But that time has passed and now we should have action. We should have action, as has been clearly indicated already by the hon. member for Acadia and I hope by myself, because the cost price relationship and the net income position have been steadily worsening despite unprecedented yields and increases in productivity.

• (4:10 p.m.)

Where are we going? I am sure the phenomenon of the ever-increasing average age of people on farms in this country is evident in all counties and municipalities across the land, not just in my own province.

It has been my pleasure to have this opportunity to join with other members on this side

[Mr. Schreyer.]

to indicate to the government that it has a very serious responsibility which cannot be sloughed off simply by adopting the attitude that because of changing technology and patterns of production a continuing exodus of people from farm lands is inevitable. To what degree should we allow this to happen? If one projects the present trend for perhaps 15 years or two decades one will come to the conclusion that within that time there will only be about 2 per cent of the population on farms. This will likely mean we will have an agricultural industry dominated by vertically integrated, factory type, giant operations and by a few landed aristocrats. Is it our desire to see history repeat itself in this way?

We must also consider the problems in relation to the number of families living on farms with substandard levels of income. I do not oppose the ARDA program but it alone should not be used as a means of coping with the problem of low farm income, and to do so is absurd. ARDA is and will be very useful in dealing with rural poverty as found on small marginal farms, but it is absurd to try to use ARDA to deal with low net income problems facing operators of medium or statistical average even. These people are finding it very difficult to operate at a profit under present economic conditions.

Let me say in conclusion and without apology that up to now the government has displayed an attitude in respect of agricultural problems which can only be described as one of nonchalance, and there can be no excuse for that.

[*Translation*]

Mr. Laprise: Mr. Chairman, I would like to take a few minutes of the time allocated for consideration of the first item of the supplementary estimates (G), namely agriculture, to discuss a definite matter of urgent public importance, that is the announcement of a dairy policy which does not enable producers of manufacturing milk to derive an adequate income from the sale thereof.

When I introduced that motion on the orders of the day earlier, I had hoped to discuss that matter in the presence of the Minister of Agriculture (Mr. Greene) but I noticed, as pointed out by the spokesman of the Progressive Conservative party a moment ago, that we are forced to discuss matters as important as agriculture and production of manufacturing milk, in the absence of the minister.

I know the Minister of National Revenue (Mr. Benson) can pilot supplementary estimates, but the fact remains that the Minister of Agriculture is not here to listen to the views of hon. members on the problems of the Canadian dairy industry, particularly in the province of Quebec.

In the last three speeches from the throne, we were told or we have read that the government proposed to give special attention to the agricultural problem, but we have come to realize that the agricultural policy of the government is applied with a dropper. As a matter of fact, only yesterday, many farmers from all parts of the province of Quebec came here, to parliament—some of them had a long journey and even travelled overnight—to meet the Minister of Agriculture and Quebec members of parliament.

Personally, Mr. Chairman, I would have preferred to welcome those farmers, those of my riding as well as the others, as visitors, as tourists, in short, as people on holiday. However, to have their rights respected or, at least, to make special representations to the minister, they had to make rather great sacrifices and even to go to some expense. If the Minister of Agriculture and the government had assumed their responsibilities and established a really fair agricultural policy, those people would not have had to come to parliament to demand their rights. They came here, Mr. Chairman, because the situation is urgent, because the situation is alarming.

According to the December 1966 issue of the News Bulletin of the Department of Agriculture, the number of milch-cows, in 1966, reached its lowest level in 46 years. The farmers are getting rid of their herds because they do not pay enough, because they do not bring in the profits the farmers are entitled to.

According to the article, and I quote:

> On June 1, there were an estimated 2,279,000 milch-cows on the farm, that is 86,000 less than last year and 6 per cent fewer than in 1961.

• (4:20 p.m.)

Mr. Chairman, this is one of the alarming aspects or our farm policy with regard to dairy farming. Farmers and dairy producers are justified in being alarmed at such a situation.

The same publication says, a little further on, that:

> —the production of manufactured butter has decreased for the fourth consecutive year.

Mr. Chairman, not so very long ago, Canada produced so much butter that there was a shortage of storage space. I remember that a few years ago, in 1962, 1963 or a little later, a butter warehouse burnt down in Saint-Denis-sur-Richelieu. At that time, the Minister of Agriculture was asked whether Canada and the government would incur a loss on account of that fire. He replied that since it would no longer be necessary to pay storage costs following the fire, it would be so much money saved.

This means then that only a few years ago, the dairy industry did not lag while to-day, for the fourth year in a row, there is a deficit in production, that is to say that less butter is being produced than is being consumed, even with the increased population. In fact, this year, 2,250,000 pounds of butter had to be imported for our consumption.

Mr. Chairman, this is another alarming point of our farm policy and that is why approximately 8,000 farmers were on parliament hill yesterday to demand a fair agricultural policy to allow the necessary profits to which they are entitled, because no one can be expected to continue producing at a loss.

A former minister of agriculture has already said that we should find an incentive other than that of gain to encourage people to produce more. Thousands of Canadians must make a profit in order to continue to produce. How can so many people not understand such an important fact? Since producers cannot make a living, they sell their dairy cattle and abandon their farms, and when they cannot find work in the manufacturing industry or in the services, they become unemployed.

Mr. Chairman, the Minister of Agriculture and several of his colleagues in the cabinet seem to think that farming has become economically worthwhile in Canada. Yet we know that parishes in agricultural regions are emptying, and that young people no longer want to continue farming well-organized and highly productive farmlands.

Now if there is no one to take over in farming, it is because the operation is not profitable. That is why rural parishes are being abandoned and the land goes to waste. On the other hand, should the farming occupation be a profitable one, we would see the unemployed and labourers leave their cities to take over the farms. Those people would be ready to fight so as to buy land, to

make money, but the opposite situation prevails. Farmers desert the land and head for the cities, where they try to earn a living.

That is the present situation. Therefore, I believe that it is up to the government to bring forward, in the dairy industry, a policy which will enable producers to answer the needs of the Canadian consumer.

That is why I blame the hon. Minister of Agriculture for the timid and limited announcement he made earlier and for trying to lead the dairy producers to believe that they would receive $4.75 per hundredweight when, once all the deductions are made they will not get more than $4.10. The hon. minister tells us that the subsidy he offers, that is $1.21 per hundredweight, when the Federation of Dairy Producers asked for at least $1.40, will allow the dairy producers to get $4.75 per hundredweight. But he adds that 10 cents per hundredweight have to be taken away for export charges. And he adds that the Quebec and Ontario governments, which used to grant 25 cents per hundredweight, will stop as of April 1.

If we know that it costs at least 7 cents per pound to make butter, to process the cream into butter, we arrive at $4.10 per hundredweight of manufacturing milk.

Mr. Chairman, that is what the dairy producers asked for last year. The government is one year behind with its dairy policy. That is the reason why the farmers cannot make a profit and ask constantly for a minimum price of $5 per hundredweight for manufacturing milk.

During the question period, the hon. minister said that under the authority of the provincial governments, the farmers had the duty to negotiate the price of their products.

I shall point out to the hon. minister that the Federation of Dairy Producers not only asked for the subsidy per hundredweight of milk produced but also for a support price for butter, powdered milk as well as cheese and casein. In other words, if their request were granted, the farmers could get $5 per hundredweight for their dairy production. Then, they could make a profit and it could become relatively interesting to be a farmer, a dairy producer and to have herds.

And then, instead of decreasing, our production of consumer goods—which is so important for us—would increase and be sufficient for our national consumption.

We must remember, Mr. Chairman, that when the war was declared in 1939, we had just got to the end of a depression that had lasted ten years at least. At that time, when it was impossible to sell agricultural products, the farmers were deserting and disorganizing their farms. And when war was declared, we found that we did not have the means of production. So we started immediately to reorganize our farms, to ask the farmers to reorganize in order to produce more, because it was necessary to feed our soldiers and the workers employed in the munitions factories. It was also necessary to feed a great part of England, and yet we noticed that our agricultural production was lagging, that we could not meet the demand.

So, we were behind at that time. If the same situation is allowed to continue, how do we know that tomorrow we will not be facing the same problems as in 1939? And then, we will again be lagging behind. Dairy producers were asking for a minimum of $150 million to be able to get $5 per hundredweight of fluid milk. It is easy to foresee now that farmers and dairy producers will not obtain the price they are asking for. I do want to point out that the dairy producers did not make their request unprepared. I have here, from the editorial page of *La Terre de Chez Nous* of February 15, 1967, an article written by Jean-Marc Kirouac, which says:

> The Dairy Farmers of Canada, grouping associations of dairy producers from all Canadian provinces, developed, in the last weeks of January, their dairy policy for 1967-68 and for some years to come.

Thus you see, Mr. Chairman, that the dairy farmers do not study their problems from day to day, they take steps beforehand. And that is the art of governing which the present government should practice. And the article adds:

> It seems to us that the main concern of the Dairy Farmers of Canada was to make a serious study based on precise information of all the main problems which face the dairy industry in Canada and to prepare a complete dairy policy whose immediate and long term effects were to give new life and stability to the Canadian dairy industry.

Well, Mr. Chairman, that is the objective which the government should keep in mind in order to set up and implement a full dairy policy that will immediately and in the long run give new life and stability to the dairy industry in Canada. That is what we need Mr. Chairman, that is what the farmers and the consumers need, because that drop in the dairy production is felt in other consumption sectors and has something to do with the

high cost of living at the present time. And the president of the C.F.U., Mr. Lionel Sorel, mentioned it yesterday. We are now witnessing a fast increase in the price of beef in Canada and that is due to the fact that the dairy farmers are getting rid of their dairy herds. Since fewer heads of dairy cattle, calves or young livestock are offered for consumption, this shortage of animals for slaughter makes the price go up.

Well, Mr. Chairman, I would like to ask the minister of Agriculture (Mr. Greene)—I know he is not in the house but I see his parliamentary secretary (Mr. Beer)—explanations on this item of the supplementary estimates, amounting to $97,395,602 and what he intends to do with it exactly. Will it be used to pay grants, help Canadian farmers, pay employees or something else? Furthermore, I notice in the estimates for 1967-68 an increase in item 20 of the Department of Agriculture, amounting to $103 million. I would like to know what will be the use of the supplementary estimates requested today and the increase which will be requested in the 1967-68 estimates?

• (4:30 p.m.)

[*English*]

Mr. Benson: Mr. Chairman, we are now on vote 17g and I will be pleased to explain to the hon. member votes 17g and 20g. Under vote 17g we see the figure of $89,967,000 which includes subsidies on dairy products amounting to $81,624,000. I should point out to hon. members that this sum will be increased as a result of the increase in the federal government subsidy announced by the Minister of Agriculture from the guaranteed price of $4.10 per hundredweight to $4.75. In the succeeding year it will go up to $112 million.

The estimated cost for the various stabilization programs is $7,483,000 for sugar beets, $726,000 for wool, $22,000 for eggs and $112,000 for pork, canned cuts and hams. These arise out of the deficits of the Agricultural Stabilization Board which are traditionally recouped by this house at the end of the year. The additional $5,663,000 is to cover the net operating loss of the Agricultural Products Board up to March 31, 1967.

[*Translation*]

Mr. Laprise: Mr. Chairman, I thank the minister for his explanations which might serve to enlighten us on certain points.

When I saw the blue book for 1968, I was most happy to note an increase of $103 million under vote 20, under the heading "Grants, contributions and subsidies".

Mr. Côté (Longueuil): It costs $112 millions.

Mr. Laprise: Mr. Chairman, in the final analysis, the policy announced by the minister today on the dairy industry is clearly inadequate, since the price announced is lower than that requested by the dairy producers, if allowance is made for all the deductions the minister mentioned in his statement.

As the officials of the processing plant Société coopérative agricole of Sainte-Rose-de-Poularies pointed out, they barely make $3.18 per hundredweight of milk processed into butter and casein, and that, without taking into account the cost of processing, a minimum of 7 cents per pound of butter. Considering all that, the producers or the processing plants are unable to pay, even with the direct subsidy, an amount that could come to $5 per hundredweight. They could not do it last year and they will not be able to do it this year either, unless there is an increase in the price support concerning butter, casein, powdered milk, cheese and other products.

Therefore, Mr. Chairman, the agriculture policy announced by the minister is insufficient. Even if there is an increase, it still falls short, by far, of what the farmers were entitled to expect or what they called for. There is no doubt that we shall soon hear about that from the agricultural representatives, who are grouped today into a federation of more than 50,000 members in the province of Quebec only. Mr. Chairman, 50,000 dairy producers, that is becoming important. Considering what is being produced nowadays, in some of the states of our neighbours to the south, in the field of dairy production, it is to be feared that the same thing will happen here, and this is exactly what is to be prevented.

Mr. Choquette: Mr. Chairman, a few brief remarks in order to answer the comments made by the hon. member who just resumed his seat. It is not in an aggressive way, but rather objectively, in order to help restore the facts, if possible.

There is doubt that the hon. member spoke exactly as a member of the opposition would, and if the members on this side happened to be sitting across the way, they would

probably do as the hon. member has just done: They would deplore the inadequacy of government policies. It is good strategy, let us admit it. It is almost an accepted practice in the house to proceed in this way. Nevertheless, sitting on the government side, I do not feel it is inappropriate to set things in the proper perspective and to state that the policies the government intends to apply starting next April 1, represents a significant improvement and are surely such as to raise the standard of living of the farming community.

I agree with the hon. member that the farmers are entitled to a better fate. If anyone understands, surely it is the members sitting on this side of the house, particularly since we have in our caucus no less than a real farmer, no less than a member of the C.F.U. who never fails to enlighten government policy through his own knowledge. I am referring to the hon. member for Nicolet-Yamaska (Mr. Côté) who, since taking his seat in this house, has made a contribution which deserves to be mentioned. He is a farmer himself, and when agriculture is being discussed, I feel he must know what is going on and he is surely in a position to inform the authorities, since he has lived, in fact he has been prominent, in a farming community.

I would not like to be overly partisan, but I simply want to note that since we have been in power, we have always looked upon the requirements of the Catholic Farmers Union with the utmost respect and, I would say, with the utmost efficiency. At different times, it so happened that farmers in their briefs called for a Canadian Dairy Board. Legislation to that end has been passed by the present government.

It happened that the Catholic Farmers Union, in its briefs to government authorities, asked for the establishment of a Livestock Feed Board for eastern farmers. The present government implemented such legislation.

It happened that farmers complained about the poverty in several rural areas. That is why, in order to comply with the farmers' requests, the government implemented a piece of legislation setting up a Rural Development Fund of approximately $50 million.

It also happened that Quebec farmers complained that they could not take advantage of the Crop Insurance Act. The Liberal government amended that Act, thus enabling the Quebec government to implement its own crop insurance program. It has been announced that the provincial minister of agriculture, Mr. Vincent, has introduced the bill in the Quebec legislature and through the future co-operation of the federal and provincial governments, the Quebec farmers will be able to take advantage of the Crop Insurance Act.

Therefore, it is unfair, Mr. Chairman, to deplore constantly the lack of government policies. It does not seem very fair to deny that the government is considering the matter earnestly and that it is sincerely trying to improve the farmers' lot.

Of course, the opposition always feels it is not enough. They are never satisfied, they are always asking more, but while the government is responsible for the administration it must also bring down a budget.

I would have liked the previous speaker to tell us where to find more money for farmers. They are getting an additional amount of $30 million this year. Is there a specific figure which he could quote and perhaps tell us where to reduce expenditures, why they should be reduced and how we could reduce them in such and such department, in order to give more?

An hon. Member: Let him cut down the national defence estimates.

Mr. Choquette: Mr. Chairman, let the hon. member rise and tell us which items should be taken away, and how this can be done; then, his proposal could be considered.

However, no mention is made, for instance, of the fact that, this year, the government will spend $30 million more for the farmers, which is certainly a marked improvement. The hon. member cannot deny this. If the government were not concerned with the farmers, it would not bother to spend more, to earmark an amount which is quite considerable to assist the farmers. Such policy will help maintain an average price of $4.65 per hundredweight of milk with a fat content of 3.5 per cent. To this price of $4.65, the export subsidy of 10 cents must be added. However, it is perhaps too soon to criticize the dairy policy, like the hon. member has done, since the Canadian Dairy Commission has not yet made known its support price policy.

It is only in the light of the announcement made by the minister this afternoon, and in the light of the Canadian Dairy Commission policy which will be known soon, that we will be able to appreciate the actual repercussions and effects of this new dairy policy.

In spite of everything, I therefore suggest, Mr. Chairman, that we must give credit to

the hon. Minister of Agriculture for having the great merit of thinking and taking action on behalf of the farmers, for his really effective efforts, so that milk producers may receive for their product a better price than they received before.

Something else is worth mentioning. When we came into power, in 1963, as the Conservatives gave way to the Liberal government, the price of milk was $2.66 per hundredweight. Today, in 1967, it has reached $4.65 per hundredweight; that is certainly an appreciable increase which we cannot but notice and, in my opinion, without indulging in flattery, the merits of the government and the Minister of Agriculture who made worthwhile efforts, deserve to be mentioned.

• (4:40 p.m.)

[*English*]

Mr. Moore: Mr. Chairman, I should like to take this opportunity of saying a few words about the plight of the dairy farmers across Canada. I do not feel that the new policy which has been announced will really solve many problems. The increase in the amount of subsidy paid this year compared with last year will cover only some of the increase that can be expected because of rising production and living costs.

The hon. member who preceded me stated that the farmers can be assured of a price of $4.75 per hundredweight for manufacturing milk. With this I take issue because nothing has been said about how much is going to be taken off this price, as happened last year, for seeking export markets, and there is really no guarantee at all of $4.75. It is just a hoped for price that will vary across Canada, as was the case last year.

The minister referred to an agreement entered into with the ministers of agriculture for Ontario and Quebec, but I should like to ask about the other provinces. Certainly the policy did not take into account the recommendations, which I have read, made by the Canadian Federation of Agriculture. Most of the thousands of farmers who have ceased operations during the last few years were dairy farmers, which shows that our dairy policy has not solved the problems. The hon. member for Springfield dealt with the discrepancy between the returns to cream shippers and the returns to milk shippers. This in itself is a serious problem. Where do the herds go when dairy farm operations are discontinued? Many of the cattle, especially the better bred, go to the United States and are taken out of production so far as Canada is concerned.

Speaking of milk shipments 20 per cent over quota, on which no subsidy is paid, may I put this into figures. Let me take a shipper with a quota of 1,000 pounds who ships 1,200 pounds of milk a day. Let us suppose he receives $5 per hundredweight for the first 1,000 pounds and only $3 per hundredweight for the next 200 pounds. This averages out to $4.60 which is less than the $4.75 suggested by the hon. member. And we must also remember that this farmer's costs are higher.

I wonder whether the minister and other members of the house have any idea of the costs of distribution of milk shippers. Do they know what a bulk cooling tank costs? Usually they cost more than $4,000 installed. Do they realize the cost of barn cleaners, silos, equipment needed for harvesting winter feed, the cost of maintaining a high-producing herd, and all the incidental costs of labour, if the farmer is fortunate enough to be able to hire any labour?

The method of paying this subsidy may seem to be a small consideration but over the last year it has become a bone of contention and I hope that this year there will be an improvement. I have received hundreds of letters from constituents who have either missed a payment or have received no payment at all, or have received one payment and missed the next, and so on. I know this sort of thing can happen in any scheme of this kind, but it should certainly not happen on the scale it has. After a year I am still receiving pleas from dairymen in my area asking me to please find out what has happened to their subsidy. I know that neither the minister nor the department is trying to hold up this money and would not think of doing so. They know it has to be paid and they are glad to pay it.

• (4:50 p.m.)

But the method of payment is awkward. Surely it should have been straightened out by now. I hope that this year there will not be any trouble with these payments. We should ask ourselves this question: Do we want corporations controlling our agricultural land? If this comes about, and it will unless we do something about it, then we can expect a real increase in the price of food to the consumer.

Mr. Bigg: Mr. Chairman, there is a general feeling abroad in Canada that because western Canada had a magnificent crop last year all our agricultural problems have been

solved. I want to dispel that idea immediately. There are many spotty districts in northeastern Alberta particularly where crops have been almost non-existent. This has occurred in streaks. It is as though a hail storm had gone through the area, with one farmer obtaining a magnificent crop and another only half a mile away being hailed out, in addition to all the other unfortunate things that can happen to farmers. Northeastern Alberta has been badly hit. Prairie farm assistance inspectors used to be familiar with the districts they worked in and the local problems and they gave relief to the farmers. That has changed. P.F.A. inspections are faulty when the inspectors come from outside the province. I hope the Minister of Agriculture will give this matter his personal attention. The region to which I refer is a designated area.

I suppose that the Minister of Agriculture faces problems with respect to increasing industry in that area, as does the Minister of Industry. I hope that in 1967 these two departments will get together, end interdepartmental competition and let the right hand know what the left hand is doing. Inasmuch as the area is a designated one for industry and a depressed one for agriculture in some places, I ask the ministers involved to get together and work out plans. I know it is difficult for the Minister of Industry or the Minister of Agriculture, both of whom are not from the west, to discuss problems with the representatives of the great prairie area. If they do not wish to accept the recommendations of our own agricultural committee, and we have a fine one, I suggest that they talk to members of the Canadian Federation of Agriculture and to members of the Alberta Farmers Union, to name two organizations, to find out what the pressing needs of agriculture are in the west.

One way that western farmers can improve their lot, particularly if they have small family farms, is by developing secondary industries in the agricultural field. I can tell the Minister of Agriculture and the Minister of Industry that the bottleneck in developing secondary agricultural industries is capital. To set up any reasonable industry today takes research, technological know-how and risk capital. The farmers cannot find risk capital. They have not the ability to raise a sum in the neighborhood of $30,000. I suggest that the Minister of Industry get in touch with the Minister of Agriculture to try to work out some formula to meet this need. Perhaps there could be hearings before a government official of some kind to determine what the local people need. Perhaps they need a rapeseed factory to produce edible oil, perhaps a desiccating factory for alfalfa products, which is a burgeoning industry in Alberta.

The local farmers have not the capital or know how to set up such industries. The Department of Industry talks about disseminating industries among rural communities. The answer is to provide risk capital to get small secondary industries off the ground. That is one area where the government can properly step in, not in the socialistic sense, with help in research and planning by making reasonable amounts of money available. Perhaps the ceiling ought to be $50,000, the money to be made available to local people willing to contribute part of the necessary capital to develop industries which are tied in with agriculture.

Providing aid for research and planning, and also capital, would help all around. Winter employment would be assured. The small family farmer is hard put to pay for the high cost of farm machinery and farm labour. To stay on the farm he must have a secondary industry close to his home. Going to the oil fields or to the bush is not always practical but he can work as a labourer in local secondary industries tied in with agriculture.

If the minister has no faith in the agricultural committee which has made the recommendations I am making time and again, let him listen to the Canadian Federation of Agriculture and to the farmers' unions and he will obtain the viewpoint of the farmers. If the minister, together with the Minister of Industry, then makes available the technical know-how and the risk capital we shall take a great step forward in agriculture.

Mr. Rynard: Mr. Chairman, I wish to say a few words on this subject. Everything that can be done must be done to aid agriculture. We hear of the world wide population increase, which many of us have not considered seriously enough. We do not see much evidence of it in this country but it is taking place in the countries of Asia and Africa. While the population of this country remains relatively stable the population of these other countries is increasing rapidly. Half the people do not have enough to eat. This is the stark problem we face today.

An agricultural expert in the United States said the other day that he believes that by 1980 the United States will have no surplus whatsoever of farm products to export. This alarms me in view of the fact that in 1900 the

world population was 1.6 billion, by 1920 had advanced to 1.8 billion, by 1940 was 2.3 billion, and in 1965, 25 years later, had reached 3.5 billion.

An hon. Member: The pill takes care of that.

• (5:00 p.m.)

Mr. Rynard: An hon. member has said that the pill will take care of the situation. That is probably true in part for Canada which has only a very small part of the world population. The pill will have no effect in Asia and Africa, where two-thirds of the people of the world live, for a good many years. It is expected that the world population will reach six or seven billion by the year 2,000. Fifty per cent of the people in those countries today do not have enough to eat and the types of food they eat are of poor quality. It is natural to suppose that as the living standards of these people improve, and we all hope they will, not only more food but a better type of food will be demanded.

Why is the population increasing so swiftly? The reason is that up to 1900 advances in medical science had not affected the countries of Africa and the Far East. Indeed, they had hardly affected the populations of Europe and North America. Science and medical skill have made it possible for vastly greater numbers of children to survive their first year—always a dangerous period—to reach adulthood and in turn to reproduce themselves.

What can be done about this situation? Let us look at it. At the turn of this century 75 per cent of the population of Canada worked directly in agriculture. If we look at the picture today we find that the figure is an alarming 10 per cent and would probably be nearer 8 per cent if allowance were made for those working part time or moonlighting. Consider the capital which is required by farmers today. Figures show that for every farm worker in the United States a capital expenditure of $35,000 is involved. In the industrial, field the amount is only $25,000. Here we find a disparity of $10,000 right off the bat. It is obvious that something must be done to help provide capital for those who are engaged in farming.

Once the buying power of the primary producer is interfered with the effect is felt in the urban areas and in the industrial field because the farmer buys trucks, uses farm machinery, uses oil and gas and consumes food himself. He is a taxpayer and he is an employer of labour. I often wonder what this country would have done without the billion dollars derived from wheat sales, the largest single item produced by the farmers of this country.

What are the returns which these people reap for the work they do? I find that today there is nowhere in the world, with the exception of the United States, where people are as well and as cheaply fed as Canadians are. I am sure that we as a parliament should take every step open to us, to ensure the continuance of an ample food supply at a price our people can afford. But let us remember that if there are not enough primary producers, somebody else must take over the farms. The position was well set out by one of the leading dairy farmers of Ontario; in fact, he is internationally known. I refer to Mr. George McLaughlin who operates Donrobin Farm near Beaverton. This is what is said about him:

> A quiet-spoken, modest-mannered man, looking more like a metropolitan businessman than the operator of the well-known model farm, "Dunrobin" near Beaverton that he is, made one of the most telling points on behalf of his fellow farmers that the general public has yet heard. Speaking at the annual rural appreciation luncheon of the Rotary Club to a mixed audience of businessmen and farmers, George McLaughlin, noted agriculturist and vice-president of the Dairy Farmers of Canada, noted that Canadians ate better, and at less cost, than any other people on earth.
>
> He pointed out, however, that all this remarkable feat was achieved at the direct expense of the farmer, whose income, in relation to his costs, had declined steadily until it was now 30 per cent lower than it had been in 1949. In the same period, the figure for his fellow worker in industry had risen no less than 54 per cent.

I do not believe the people of Canada generally want this inequality to continue. I do not believe we are that type of people. Mr. McLaughlin went on to point out:

> —this spread of 84 per cent represented a subsidization of the economy by the farmer—"the biggest subsidy in Canadian history."
>
> For while Canada prided itself on the low cost and the variety of food offered its consumers, it accorded its agriculture the lowest measure of government support of any country in the western world.

I repeat that statement because I think it is worth noting—"the lowest measure of government support of any country in the western world". Then Mr. McLaughlin says: "The Canadian farmer has been able to survive only through a number of expedients". Money which should have been used for capital purposes has gone to pay current expenses.

If we were to visit the farms of Canada today I am sure we would find that the average age of those who are operating them is increasing every year. What is to happen to these farms in the future? Will they be owned by dairies or food processing companies or grocery chains which will be able to set prices at whatever levels they wish and thus obtain the fair return for their labour which has been denied to Canadian farmers?

If the present trend continues we shall lose our export market which has proved a valuable adjunct to our economy in the past. Today we are shipping thousands of Holstein cattle round the world at high prices to increase the value of breeding stock. We possess some of the finest breeding stock in the world and we are proud of it. It has been a lucrative trade and one which has done a tremendous amount to advertise Canada in countries abroad. It has been made possible because our cattle have proved themselves to be of first quality as milk producers and as a source of beef as well.

When I look at the cattle sales advertized in the *Holstein-Friesian Journal* and in the journals of the other breeds I have grave doubts about the future of this trade. The very man who made the speech to which I have referred, one of the foremost and best known dairy farmers in Canada, is holding a sale this fall and going out of the dairy cattle business. The McCaigues of Glen Afton Farm, Alliston, outstanding second generation breeders, are holding a sale in May. These are people who have built up this flourishing export business from its very foundations with the result that we have been able to sell our cattle throughout the world.

• (5:10 p.m.)

The hon. member for Wetaskawin suggested that the increase in the price for milk was too little. Some hon. members may consider it a fair increase, but really how much of an increase is it when one considers the cost of labour and farm machinery and the disparity between what the farmer is getting and what the man who works in industry is getting? This disparity has brought a man like George McLaughlin to the point where he thinks he can earn a far better living by getting out of the dairy industry. No one doubts that he has ability and it is a fact that he will make a better living outside the industry.

This whole problem strikes right at the roots of Canada because for every farmer who is a primary producer three other people handle his products after they leave the farm.

Not only that, the farmer buys machinery and equipment manufactured by industrial workers in the urban centres. If we are to maintain employment and keep industry viable there must be a better deal for the farmers.

Subsidies are not the answer. They are only a stopgap measure. Parliament and the government will have to come up with a better answer. Something must be done or else we on this continent will suffer from a shortage of food, not to mention the poor people in the Far East and Africa who are improperly fed, with 50 per cent of them underfed at the present time. Farmers must be allowed to reap the rewards of their work. We provide incentives to industry in the form of capital investment in depressed areas and should do the same for the farmer. Food is more essential than machinery or equipment.

Mr. Keays: Mr. Chairman, I take this opportunity to express my disappointment at the announcement made today by the Minister of Agriculture concerning the subsidy paid to milk producers. My concern is based on the fact that owing to geography many milk producers in my area have to pay more for machinery and machine parts. Their problem is accentuated. I am concerned about the 50,000 milk producers in the province of Quebec. Their industry is dwindling. It is being chipped away and they can foresee its disappearance and the disappearance of their livelihood.

The minister referred to the 33⅓ per cent increase in the total amount of subsidy. This does not impress me because reference to an increase on a percentage basis really does not mean too much. It is applied to the present situation in the industry. We have started off in the wrong direction because even if we paid 50 per cent, 75 per cent or 100 per cent more subsidy it would only mean we would have more people producing milk and selling milk. We have to look at the broader aspect of the whole question to discover how we can do justice to the farmer.

At present the farmer sees the money he has set aside as depreciation on equipment dwindling and eroding. In a few years time he will not have money to replace his equipment. In a few years he will be out of business and his departure will be a grave loss to one of our basic industries.

Unfortunately I could not be here yesterday when the Quebec farmers congregated in Ottawa, because I was undergoing medical treatment in Montreal. However, I feel sorry for them. They were given a build-up which

led them to believe they were going to get the price of $5.10 per hundredweight that they sought, the minimum amount on which they can live and secure a fair return for their investment and labour. They have now been let down and let down seriously.

No one in this house need look upon himself as a great defender of the farmer. We are all concerned about the dairy producers and other farmers. We all have to find some means by which we can cure the problem with which they are faced from year to year. In the last three throne speech debates we heard how deeply concerned the government was about the dairy farmer and farmers in general. But all that has been done has been nothing but patchwork. There has been an average increase in the milk subsidy of 10 per cent per year. The increase has done no more than to offset the increased cost of production which in many cases has been more than 10 per cent. The farmer's capital is being eroded and also the money which he has set aside by way of depreciation to replace his equipment. There is danger of the total disappearance of this vital industry.

• (5:20 p.m.)

I believe the increase will be a serious disappointment to all dairy farmers. When I think of all those who are defenders of the dairy producers in the province of Quebec I realize it is not one party alone that is defending them. When the former member for Nicolet-Yamaska was in this house he constantly worried about the dairy producers. In the position he now occupies in his province he is following the same policy of having a deep concern for these producers. The hon. member for Saint-Hyacinthe-Bagot also expressed concern about the dairy farmer. I do not believe our mandate is being fulfilled when there is an announcement such as that made by the minister today. It will be a serious disappointment to the farmers. It may also contribute to the total disappearance of the dairy industry in this country. How can we cure the problems if all we do is carry out a patchwork job as one would on a pair of trousers? One of these days the trousers will rot away and we will not be able to attach a patch to them.

We should look for other policies. Instead of following the policy of holding farmers to the position they are in today we should look for a policy which will give them the security they need so they will feel equal to those who are engaged in other industries. The farmer should be able to receive the same remuneration for his hours of labour as is received by those engaged in other industries. Once we concern ourselves with the problem of seeing that the farmer is equal we will have begun to do something to help bring this industry up to the level of other industries in this country. We have the right to criticize but we also must find a solution to some of these problems. If we followed the practice being carried out by Ontario and Quebec, which have committees to study industries, we would know where the problem lies and would be able to recommend a solution to this problem to the recently created national dairy council. In this way we could start to do something for the dairy farmers of this country. If we were to study this matter properly I am sure we would be able to do something which would bring about an increase in the production of milk. Through an advisory board and researchers we would be able to find outlets for our production.

Because of my concern for the welfare of these farmers I must take exception to the proposal made today by the minister. I do not believe it will advance the welfare of the milk producers. I hope the government will realize immediately that the action they are taking will not be sufficient. I hope the minister and the government will reconsider the policy announced today.

The Acting Chairman (Mr. Richard): The hon. member for Prince Edward-Lennox.

Mr. Alkenbrack: Thank you, Mr. Chairman. I will forgo for the time being the opportunity to speak.

The Acting Chairman (Mr. Richard): The hon. member for Lapointe.

[*Translation*]

Mr. Grégoire: Mr. Chairman, I wanted to add a few words on this problem which faces the dairy producers at this time, not only those in Quebec and Ontario but all across Canada.

If we remember correctly—and the minister does—the milk producers asked for a minimum of $5 per hundredweight or $5.10, including the 10 cents for the export premium. It is that amount of $5.10 that the Quebec dairy producers asked for officially yesterday when they came 1,000 strong to meet the Minister of Agriculture (Mr. Greene) as well as the Minister of Forestry and Rural Development, the hon. member for the Îles-de-la-Madeleine (Mr. Sauvé), and the Minister

of Manpower and Immigration (Mr. Marchand) as well as the Quebec members.

Milk producers in the province of Quebec asked the federal government for a subsidy of $1.40 per hundredweight of milk and requested that the price per hundredweight paid by the dairy be raised to $3.60, which made a minimum of $5 in all.

The first thing to be noticed about this request, Mr. Chairman, is that the dairy producers talked of a minimum of $5.10 per hundredweight of milk, whereas last year the farmers received an average—"average" was the word used—$4 per hundredweight of milk. This year, after one year's experience, the farmers are talking of a "minimum" instead of an "average" per hundredweight of milk with a fat content of 3.5 per cent.

The minister did not think it advisable to rectify this first request of the farmers. There is still talk of an "average" instead of a minimum price per hundredweight of milk. We know that after this average price was granted last year, instead of a minimum price, many farmers got $3.70 or $3.75 instead of $4 per hundredweight.

The minister announces an 85 cent raise, bringing the subsidy to $1.21. The farmers had asked for $1.40. But while the minister announces that the subsidy will now be set at $1.20 per hundredweight of milk, the farmer will have to pay 10 cents for exportation, which means that the government subsidy will, in fact, amount to $1.11 per hundredweight of milk with a fat content at 3.5 per cent.

• (5:30 p.m.)

Mr. Chairman, to continue my remarks on the minister's announcement, the minister says that the Canadian Dairy Commission of recent creation, will be responsible in cooperation with the provincial marketing boards, for making sure that the farmer gets $4.75 when the $1.21 grant is paid.

It might thus be useful to remark that this $4.75 price will not remain stationary. First of all, 10 cents will be taken off for the export premium and, then, the Canadian Dairy Commission will have to get the provincial marketing boards to increase the price of butter, cheese and casein to such a level that dairies can afford to pay farmers $3.54 per hundredweight. Today, we know they give something like $3, and often less—

Mr. Choquette: Not the dairies. There is no question of dairies here. The hon. member did not understand a thing.

[Mr. Grégoire.]

Mr. Grégoire: Mr. Chairman, these are dairies or processing plants because some dairies also produce cheese and butter. If they do, then they use what is called manufacturing milk and not fluid milk. But that is another story.

I believe the hon. member for Lotbinière (Mr. Choquette) will have to recognize that he does not yet understand the problem. He imagines that dairies do not buy manufacturing milk while in fact many do when, for instance, they make butter, which is what dairies can make or cheese, which they do make and when milk is processed to make ice cream, which dairies do also. Then, dairies use manufacturing milk to transform it into butter, cheese, cream or ice cream.

Then, Mr. Chairman, the dairies or the butter industry, or both, must be able to pay $3.54 per hundredweight for manufacturing milk, plus the subsidy of $1.21 paid by the federal government, totalling $4.75, less the 10 cents export premium, that is $4.65.

But who tells us, Mr. Chairman, that provincial marketing boards see to it that $3.54 per hundredweight is paid? There again, the minister does not want to assert it. What is wrong in this whole policy is that there are too many different agencies which can affect the price of the hundredweight of milk.

For instance, if a dairy producer delivers fluid milk to the dairy, that is determined by a quota, and the amount over his quota, less a percentage of 20 per cent will be at the level of manufacturing milk, but for the 20 per cent surplus, the producer does not have a minimum price. If the dairy decides to buy it at $2, $2.25 or $2.50 per hundredweight, the minimum amount received by the farmer for his milk will be reduced by that amount, and that is where the industrial producers, the buyers of fluid milk and the dairies can make their profits.

Mr. Chairman, I feel that there are too many agencies deciding on the prices. There are provincial and federal agencies responsible for the milk delivered by the farmer as fluid or manufacturing milk.

For instance, when the farmer arrives at the dairy to deliver fluid milk, the amount over his quota—incidentally this quota is not always enforced—the surplus of 20 per cent—and even over 20 per cent—for which there is no minimum price policy, does not always yield the support price which should be paid by the dairy.

Mr. Chairman, I am surprised that the Minister of Agriculture, who was seconded yesterday by the Minister of Manpower and Immigration and by the Minister of Forestry and Rural Development, as well as several others, could not get the cabinet to agree to $1.50 increase in the subsidy. The Minister of Energy, Mines and Resources (Mr. Pepin) was also one of them. I am surprised that they were unable to get the cabinet to grant $1.40 per hundredweight of milk. Because yesterday, the minister actually told Quebec farmers who came to see him: your latest march will help and support us in bringing your claims before the cabinet and will give more weight to them.

The Postmaster General (Mr. Côté) was also there yesterday. He was much more attentive than today; he is speaking much louder than the standing orders entitle him to do, so that I hear him more than I hear myself. And this has been going on for about 10 minutes.

Well, Mr. Chairman, I am surprised to see that the five ministers who were there, after having witnessed that show of force by the Quebec farmers, have not been in position to influence the cabinet to obtain that subsidy of $1.40 per hundredweight of milk. Not long ago, the parliamentary secretary to the Minister of Finance, the member for Saint-Maurice-Laflèche (Mr. Chrétien), stated that the French Canadian ministers had the right of veto in the cabinet. Nobody disputed that fact.

Finally, there were many French Canadian ministers at the meeting of the C.F.U. yesterday afternoon. They all said and claimed that they would make every effort to help answer the farmers' wishes, namely this $5 per hundredweight of milk. How is it, Mr. Chairman, that those five ministers who attended the meeting, and all those other members who committed themselves to support the case of the farmers before the whole cabinet, did not succeed on their behalf?

Mr. Choquette: May I ask the hon. member a question?

Mr. Grégoire: Of course.

Mr. Choquette: Does the hon. member know that according to the new dairy policy those producers receive an additional $30 million? What is it, if not a gain?

Mr. Grégoire: Mr. Chairman, of course it is a gain. But the president of the C.F.U., Mr. Sorel, explained to the minister yesterday that in the past farmers obtained a mere pittance, and whenever they did gain anything at all, the cost of living or the production cost would increase even more, so that although they received an additional 15 or 20 cents in subsidies they were not any better off because the cost of milk production rose faster than the prices they could set for their product. That is what the president of the C.F.U. was complaining about. And his argument was very well taken.

Now, this year, to catch up with the cost of living, to permit milk producers to operate at some profit and no longer at a loss, and to enable them to increase their productivity, they will get $5.10 per hundredweight for milk but, in fact, they will barely get $3.65 once they have paid the 10 per cent export premium.

Mr. Chairman, the differential is 45 cents. What they get is not enough to catch up with the rise in the costs of production. And that is important, as was explained yesterday by the president of the C.F.U. who stated that with a grant of less than $5.10 per hundredweight farmers cannot catch up with the costs of production and increase their farms' productivity. Even if they were granted $30 million the increase in production costs was even greater. And that is what should be borne in mind.

Mr. Choquette: Is the hon. member aware that the Livestock Feed Board will soon take up its duties which will be precisely to prevent production costs of mill-feed, for example, to reach a prohibitive level.

• (5:40 p.m.)

Mr. Grégoire: Mr. Chairman I am quite willing to admit that, and that will likely correct many ills in the future, and that would please me. But, there is something else, this Livestock Feed Board is not operating yet, and the feed prices have already increased. It is a hard fact and this explains the high production cost and why the milk producers are asking $5.10 per hundredweight. If, in the future, it were possible to prevent the feed prices from rising, so much the better; in that case the farmers would not have to keep coming back to parliament to ask for subsidy increases.

Of course, the farmers would be quite satisfied if they no longer had to come to Ottawa to beg for subsidies. But they have to do it, because production costs are rising. And if

this increase ever stops, the farmers will be most happy not to have to beg for a raise in the federal subsidies. But the price of feed grain has increased and we are now confronted with the following situation: the commission has perhaps not done its duty in the past, and the price of grain has increased, as well as the price of tractors, of gasoline and production costs. Consequently, the producer of milk now needs $5.10 per hundredweight at least to meet those production costs and to increase his productivity.

This must be settled, Mr. Chairman. And the amount granted today by the minister will not be sufficient to enable farmers and milk producers to meet present conditions, because that small subsidy is lower than the percentage increase of production costs during the past year, and this is serious. Subsidies are not being raised at the same rate as production costs have increased. This was what farmers and milk producers requested and what the government refused.

As I said earlier, I heard the ministers say that they would do everything possible to obtain from the cabinet $5.10 per hundredweight of milk.

We heard last week the parliamentary secretary to the Minister of Finance (Mr. Chrétien), the hon. member for Saint-Maurice-Laflèche, state that the French Canadian ministers had the right of veto in the cabinet. Then, could we conclude that the French Canadian ministers have not really pleaded the case of Quebec farmers with the cabinet? It is the Minister of Agriculture who introduced his colleagues from the cabinet to the members of the U.C.C. and, introducing the Minister of Manpower and Immigration (Mr. Marchand) to the farmers, he did not say this: "Now I introduce the Minister of Manpower and Immigration." Not at all. He said this: "I introduce the Quebec leader of our party". That is how he introduced him: "The leader of our political party in Quebec".

Some hon. Members: Hear, hear.

Mr. Grégoire: The Minister of Agriculture introduced the Minister of Labour and Immigration as follows: "I introduce now the leader of our party in Quebec."

Some hon. Members: Hear, hear.

Mr. Grégoire: Well, then, the Minister of Agriculture says: Since he is the leader of our party in Quebec, he will see to it that the Quebec people get what they ask for. That other minister was introduced as the leader of the party in Quebec, but obviously it did not mean much because he, with the four other Quebec ministers, plus all the Quebec members, did not succeed in getting what the Quebec milk producers asked for. Obviously, they were not very influential.

Mr. Choquette: Thirty millions, that is a lot.

Mr. Grégoire: The member for Lotbinière says: Thirty millions, that is a lot. Even then, it is not enough to compensate for the increase in production costs on the farm, and that is what counts. Even if you granted subsidies of $40 million, if within the same year production costs went up by $60 million, the farmers would be no better off. That is what the Minister of Agriculture and the member for Lotbinière must understand. Thirty millions is not an absolute figure; nor is the $5 the farmers are requesting. That figure was based on the increase in production costs, and if it doubles again, $75 million will be needed and not $30 million. The $75 million would not be worth then more than $30 million, since production costs would have absorbed the effect of the $30 million.

Mr. Choquette: Just one question and that will be the last one I ask the hon. member. First, I contest those figures; those are unfounded assertions. However, I ask him this question. Does he not agree that there is not only one level of government that must take action to prevent the rise in the cost of production? Other governments must take their responsibilities.

Mr. Grégoire: This is obvious, Mr. Chairman.

An hon. Member: This matter does not come under the federal government only.

Mr. Grégoire: It is for the federal government to announce the policy on manufacturing milk because it comes under its jurisdiction. The provinces are responsible for fluid milk, the federal government for manufacturing milk. We are now concerned with manufacturing milk because the Quebec minister of agriculture decided to grant a subsidy of 25 cents per hundredweight of manufacturing milk, whereas the federal government asked for this subsidy to be abolished and said: We are going to assume responsibility for what has to do with manufacturing milk. So, the federal Minister of Agriculture assumed responsibility for manufacturing milk on behalf of the federal government. The production

cost of manufacturing milk and fluid milk has gone up. And if it did—

Mr. Choquette: Remember that Quebec increased the sales tax to 8 per cent. The federal government is not to blame.

Mr. Grégoire: Quebec increased its tax by 2 per cent; Ottawa increased its sales tax by 1 per cent. One levies a tax of 8 per cent, the other a tax of 12 per cent. If the hon. member for Lotbinière wants to pursue this discussion and make of it a matter of petty politics between Quebec and Ottawa, I could follow him on that field. But I will not do it and I will not play politics at the expense of the farmers and the dairy producers. I will leave that to the hon. member for Lotbinière.

But one thing remains, Mr. Chairman. Even if there is a flaw in the system, even if there are faults in our system on account of which our farmers are caught between two governments and do not know where to go, if our farmers and our dairy producers are taxed by two governments instead of one and if it were better for them to have only one government, and they chose the Quebec government, one thing remains, Mr. Chairman, namely that at the present time we are still living in Canada, that the federal government is taxing the people in Quebec, the dairy farmers like the others, that it has responsibilities towards the dairy producers, that the federal Minister of Agriculture chose to have jurisdiction over manufacturing milk and left to the provinces jurisdiction over fluid milk, the minister should at least fulfill his duties. One of them was to take into consideration the representations made by the representatives of the dairy producers when they were received by the minister and hon. members yesterday on parliament hill.

The dairy farmers came to explain their problems to us in a very simple, clear and concise manner. They said: At the present time, the farmers have the lowest standard of living of all the social classes in Canada. The Minister of Agriculture cannot deny that. The dairy producers said: The farmers' production cost has increased more than that of any other group. The Minister of Agriculture cannot deny that. And the farmers said: What we want is not to become millionaires but at least to be able to face increases in production costs and have a little money to increase the productivity of our land and improve our production. The minister cannot deny that either because he was there when the dairy farmers said it. And the farmers, the dairy producers said: To reach those objectives we need $5.10 per hundredweight of milk. It seems to me that the reasons given by the president and the vice presidents of the C.F.U. and the president of the Quebec Association of Dairy Producers were clear and convincing. Those farmers came to talk to us not as businessmen but as people who like their farms, their land, their work. They work from early morning until late at night; their income is the lowest although they work the longest hours of all Canadian citizens.

It was moving to hear the president of the Catholic Farmers Union tell us: If we want to make $2,000, $2,200, $2,400 a year, our wives and children must work without pay, and then we have an income which, for one person alone, ranks amongst the lowest in Canada.

Are the farmers' requests exaggerated, Mr. Chairman? Not in the least. They were not asking for extravagant incomes; they were merely asking for enough to live on their farms, before they have to leave them for lack of sufficient income to make a decent living. That is what the farmers came to ask. The hon. member for Lotbinière (Mr. Choquette) will agree with me that when they asked $5.10 per hundredweight of milk, they were not asking for salaries of $5,000 or $6,000 a year. They were asking for the minimum to allow them to live decently on their farms. The member for Lotbinière has farmers in his district. Is he going to tell me that $5.10 per hundredweight of milk would make those farmers richer than our city workers? Never. It would give them an even lower standard of living than urban workers, teachers, dealers or other classes of society.

The request of dairy farmers from Lotbinière country and elsewhere was not excessive. The hon. member for Lotbinière knows that they were not being unreasonable in asking $5.10 per hundredweight of milk so as to be able to meet their production costs, increase their productivity and modernize their equipment.

When I see those who object to the farmers' claims, when farmers are probably the group which is most neglected by the federal government, and when I make a comparison with federal subsidies for gold production of between $8 and $10 an ounce. The federal government pays from $8 to $10 to gold mines for every ounce of gold produced. This makes $16,000 per hundredweight of gold. Yet, when the farmers ask for $1.40 per

hundredweight of milk, some people rush in to defend the government policy.

I state, Mr. Chairman, that if all of us in this house were to agree unanimously to try at least once, to meet the demands of farmers, whether from Quebec and Ontario or throughout Canada, and give them $5,10 per hundredweight of milk and if we could count on the support of all members approached yesterday by Quebec and Ontario farmers, then, the Minister of Agriculture would have to recognize that this is not an excessive but a minimum demand.

• (5:50 p.m.)

The farmer certainly did not receive the best treatment in the past from either society or the government. I think it is time the Minister of Agriculture thought about that, and I would ask him, Mr. Chairman, to set himself a goal, either in the form of subsidies, by fixing a minimum price for milk, butter, cream, cheese, casein and so forth, or by giving the farmer $5.10 per hundredweight of milk.

I may be told that this would raise the price of milk, butter, and cheese. Well, Mr. Chairman, if the new Canadian Dairy Commission were willing to assume its responsibilities and eliminate all sorts of intermediaries between the milk producer and the retailer, even the savings which would result from this would make it possible to give the farmer $5.10 per hundredweight of milk without raising consumer prices.

Mr. Chairman, I would like to urge the minister to reconsider his position in that respect. And I make a special appeal to all Quebec members who have had the opportunity yesterday to hear valid and convincing arguments from the representatives of the Quebec dairy producers. All those who were there yesterday and who are still here today know that the arguments were most convincing. And all hon. members who are here and who have farmers in their riding, know that the farmers are far from being the class best dealt with by the government, nor the most affluent one.

Well, if we were, for once, unanimous in claiming these $5.10 per hundredweight—I am not speaking of subsidies or anything else;

I am only asking a minimum of $5.10 per hundredweight of milk for the farmers—well, if we were all in agreement on that point, if the Minister of Agriculture and all the members of the cabinet saw that all the members, in every corner of the house, were

[Mr. Grégoire.]

unanimously requesting it, I am convinced the cabinet would reconsider the matter and adjust the budget so that farmers would receive $5.10 per hundredweight of milk.

Mr. Chairman, in closing, I am making an appeal for unanimity in this regard. I am convinced the hon. member for Lotbinière (Mr. Choquette) is in constant contact with the farmers in his riding. He asked some questions earlier on behalf of his Liberal colleagues. I know he goes and sees the farmers of his riding, that he takes their interests at heart, that he knows their problems and that he really wants—

The Chairman: Order.

[*English*]

The Chairman: Order, please. The time allotted to the hon. member has expired.

Mr. McIlraith: Mr. Chairman, may I propose that progress be reported for the purpose of continuing to sit after six o'clock?

The Chairman: Shall I rise, report progress and ask leave to sit later today or at the next sitting of the house?

Some hon. Members: Later today.

Progress reported.

BUSINESS OF THE HOUSE

Hon. G. J. McIlraith (Minister of Public Works): Mr. Speaker, I move, seconded by the hon. member for Davenport (Mr. Gordon):

That pursuant to standing order 6(2) this house continue to sit after six o'clock p.m.

Mr. Knowles: May I ask the minister whether he has any idea how long it will take to finish what he has in mind?

Mr. McIlraith: Mr. Speaker, I understand that consideration of the estimates of the Department of Agriculture will not take very long but that there are other matters involving policy which can be dealt with on interim supply. I am in the hands of the committee which will have to decide under what item to take up these matters but it seems to me that since they involve policy it may be better to discuss them on interim supply. It is my understanding that this should take about an hour and a half.

Mr. Deputy Speaker: Is it the pleasure of the house to adopt the said motion?

Some hon. Members: Agreed.

Motion agreed to.

SUPPLY

The house in committee of supply, Mr. Batten in the chair.

DEPARTMENT OF AGRICULTURE

17g. Grants, contributions and subsidies in the amounts and subject to the terms specified in the sub-vote titles listed in the details of estimates, $94,387,000.

• (6:00 p.m.)

[*Translation*]

Mr. Latulippe: Mr. Chairman, I am pleased to take this opportunity to say a few words about the dairy industry and the announcement made this afternoon by the minister.

Now, Mr. Chairman, we all know that agriculture is in a state of stagnation. In fact, farmers are making representations and putting pressure on the federal parliament, the Quebec parliament and even the parliaments of every province to improve their situation.

The agricultural situation is more serious than we think. Our agriculture is in a dreadful state of stagnation, as those who have eyes can see. If the farmers are taking so many steps, it is because our agriculture is going into bankruptcy. We must make the required efforts if we want to rehabilitate agriculture.

Agriculture must be rehabilitated because it is the foundation of society. It is the very foundation on which rests our whole economy.

So, Mr. Chairman, small measures or small subsidies, dispensed with a dropper, will not solve our agricultural problem.

Once and for all, the Minister of Agriculture, the Minister of Finance and the whole Canadian economy must get together to rehabilitate agriculture because it is run down, it is stagnating, it can barely survive. The young are leaving the farm, they cannot see any future in it, any way of making a living out of it, the possibility of raising a family. They want to live like the others. They want to have reasonable working hours and nobody can blame them.

Agriculture is in a state of stagnation. In various parishes of my riding, in the past ten years, 70 per cent of the farmers have left their farm.

In one small parish, comprising approximately sixty farmers, 13 farmers left their farm during the same week. This has been happening everywhere for the past several months.

It can be truly said that agriculture is in a state of stagnation. Farmers are surely justified in expressing their views and in making their plight known to the government.

It is not the fault of the farmers, but of the greatest economic factor, the financial factor. The financial system has driven farmers into debt, together with farm loans.

Farm loans were supposed to save agriculture as a whole, but it was not saved. It was sunk and it floundered. The further ahead we go, the deeper the farmer goes into the hole. This results from several economic factors of our system, which is upside down.

The system has to be corrected. When we talk about reforming the system, we are taken for cranks, for ignorant people, we are taken for people who have never been to university. But why did the intelligent people who went to university bring ruin upon us? Why did they lead us into our present situation, where nobody can live reasonably any more in a country overflowing with wealth?

The problem, Mr. Chairman, is that farmers produce below cost. That is why they need farm loans. When you produce below cost, you can neither repay your loans nor modernize your farm.

When a farmer is given a loan, he is not given enough to turn his farm into an economically worthwhile enterprise. He is given about half of what he needs, or three quarters, and he never gets the balance. And with that, he cannot enlarge his property; he cannot neither improve his land nor his farm buildings; he cannot improve his machinery. He does not have enough of one farm loan, because it is too small.

The farmer who needs $20,000 is loaned $12,000, $13,000, $10,000 approximately. There is one of the problems. If you want to lend money to farmers, if you want to improve agriculture, lend enough to enable it to recover. Or else allow them to make profits, and then farm loans will not be needed. A great number of farmers will then be able to do without the various farm loans or other bank loans granted at excessive interest rates. They had to borrow because they were not making any profit, and the minister knows it.

Therefore, farmers are in a bad way and prices keep going up. The hon. member for Lotbinière (Mr. Choquette) says the government is doing much for the farmers, but he turned a deaf ear to what was said yesterday,

for instance. The farmer needs a lot of equipment: a car, a truck, a tractor and various farm equipment. He also needs buildings and all kinds of materials and implements. The farmer is one of the biggest consumers in Canada, for he needs all sorts of things in various fields.

The farmer keeps on buying things while the government keeps on raising taxes and interest rates. Therefore, the way things are going, economically the farmer is going from bad to worse. When a farmer needs some instruments or materials to improve or build installations, he has to pay the 11 per cent tax, the 12 per cent tax, school and municipal taxes. The cost of living is rising for farmers just as for other people, and their profits are not sufficient to balance all those increases in the cost of living.

I shall not enter into details, knowing that $90 million is considered a prohibitive amount, for farming. Everyone is shocked at the thought we spend billions for defence, feeling it is nothing. And when it is not enough, supplementary budgets are brought down for defence. But when it comes to forming the very foundation of our society, of the economy of the entire nation, we do not move. Subtract $50 million from the $90 million for management, and you will get $40 million for effective assistance to farming. That is what is done for farming, and allegedly it is not possible to do more. It is stated that substantial amounts are given and everything is done for farming, but nothing is done. It is like a drop of water in the ocean. Ninety million.

I suggest that farmers would be better off with nothing at all. They would give up sooner and the government would not be compelled to squander that money with no avail. When funds are invested somewhere, they are supposed to yield profits in the long run, to improve something. But when insufficient funds are granted to improve conditions, it would be better not to give any.

Then, I maintain that the amount asked by farmers, namely, $5.10 per hundredweight of milk, is not too high, that it is not even sufficient. They would need $8 per hundredweight in order to make profits or pay off their debts; it is not with $5 per hundredweight that they will do it.

I say to the minister that within a year, even if he gives the farmers $5 per hundredweight, they will still be in a very difficult position because the cost of living will have continued to rise.

[Mr. Latulippe.]

What must be done is to stop the rise in the price of farm equipment and machinery, of building materials and the rise of interest rates. Then, farmers and all other classes of society would enjoy a decent living in such a rich country.

The farmers are ready to produce as much as is needed. But the prices are not adequately balanced. Right now, we find a decline in the budget. A great number of farmers of my area, as everywhere else in the country, have set up an organization to produce pork. And now, as we say, they are played a low trick. Hog prices are down and once again people who made high expenditures can no longer make both ends meet. Anything related to agriculture is discouraged. It is the same in all areas. When the farmer manages to produce beef, the same thing happens. If he manages to produce milk, he faces the same situation. It is the same thing in all agricultural sectors. The farmer cannot even set his price, when he has merchandise to sell, for it is the dealer who comes to him and says: I'll give you so much for your products. The farmer cannot charge his own price, though he knows that the price offered to him is lower than his production cost. He needs money so much that quite often, he sells under cost.

Mr. Chairman, I think it is the government's duty as well as that of the Minister of Agriculture to submit a true master plan, a true reform of agriculture with all the millions of dollars that will be needed to give it the expansion and the vitality which will enable it to play its role and make it possible for the farmers to stay on their land, for those who are qualified to go into farming and do something they like for a living.

Thus, Mr. Chairman, wonders will happen in the field of agriculture and the millions of dollars spent for its development will be counterblanced this time by the millions of dollars which will find their way into the Canadian economy. Today we are not always sure to recuperate the millions of dollars allocated to agriculture because when farmers leave their land they forget about their farm loan at the same time and the governments get stuck with the abandoned land.

One must not imagine, Mr. Chairman, that the Quebec government has not on hand several pieces of land that it has been compelled to take over. Statistics show that very few federal farm loans have been granted in

the province of Quebec. There are a few, but, for the most part, the farm loans have been made by the provincial government, since the latter are a little more advantageous than the federal ones. That is why, almost all farmers have taken advantage of the provincial farm loans. But, one should go and see how many pieces of land the provincial government has on hand at this time, because it has been unable to sell them.

When a farmer who has worked all his life to build a farm worth $25,000, $30,000, $40,000 or $50,000, wants to sell his land because he is too old, he cannot even give it away. Then, he has worked all his life for nothing. And that is what the young people refuse to do. That is the reason why the young people do not want to stay on the farms, because farming is in a frightening state of stagnation. We have to get it out of the doldrums and, in order to do that, the hon. minister has a lot of studies to undertake.

Even as individual members, we must assume our responsibility in this house. It is not simply that of the Minister of Agriculture but the Minister of Finance (Mr. Sharp), the officials in every department and all the members must assume their responsibilities with regard to what is happening in agriculture, because the conditions are not easy. In fact, the problem is far more serious than we seem to realize.

Mr. Chairman, I shall not say any more, although I would still have quite a lot to say about agriculture. However, I have said enough to show you that farming calls for reform.

Mr. Grégoire: Mr. Chairman, may I put a question to the hon. Minister of Agriculture?

• (6:10 p.m.)

[*English*]

I would ask a question of the minister.

[*Translation*]

Mr. Chairman, could the minister tell me if the price of $4.75 per hundredweight will be a minimum or an average price?

[*English*]

Mr. Greene: Mr. Chairman, perhaps I might take a moment to answer several questions that hon. members have asked.

First of all I wish to commend the hon. member for Simcoe East for his responsible and pertinent speech about the problems of farmers generally across the country, the cost-price squeeze they face and the image they sometimes have with those in urban centres. By some it is thought that the farmers are a burden on the rest of the taxpayers or in some way are imposing on the rest of the taxpayers.

The statistics the hon. member drew to our attention were meaningful and pertinent, particularly when one considers that a decade ago the average Canadian spent some 28 per cent of his income on food while today he spends only 20 per cent. That statistic, more clearly than any words of mine, shows that farmers by their productivity and efficiency have contributed to the well-being of the rest of the people. But they have failed to share to as great an extent as other citizens in the booming economy and increasing economic opportunity in our country. All of us concerned with the well-being of the agricultural community must bear this in mind. We must do what we can to improve the lot of the farm community.

When we consider how proud we are of the efficiency of our industrial sector, which in this age of automation and rapidly moving technology has moved ahead extremely quickly, I wonder whether we have paid enough homage to our farmers and to their increased productivity. Statistics I have show that industrial productivity per industrial worker has gone up by approximately 2.6 per cent per annum over the past decade. During the same period the increased productivity of the individual agriculturalist, the individual farmer across the country, has gone up by over 5 per cent per annum, almost twice the increase for industrial workers. The increased productivity of the farmer is the main reason for our higher standard of living. We continue to spend less of our income on food and we have more left over for other amenities, some even the luxuries of life. I thought the hon. member for Simcoe East drew these facts to our attention forcibly.

There is a heavy onus on us, conducting the business of the country in this house, to see that the farmer continues to share equitably in the increased wealth available in this country. The problem is not simple. At the beginning of the second world war about 30 per cent of Canadians were engaged in agriculture. Today only 11 per cent of Canadians are engaged in agricultural production. The economists tell us that within a decade between 5 and 6 per cent of Canadians only will be producing the food for the rest of us. That figure enables us to see the nature of the problem.

The agricultural community is becoming more efficient. Production units are becoming larger. Yet agricultural problems remain grave and difficult. I have found that these problems are not pertinent to Canada only but are generic problems facing the entire agricultural industry. From my studies I have found that the higher the standard of living is in any country, the fewer are the people producing that country's food. All those countries that I have studied, I find, suffer from the inherent problem that fewer, more efficient farmers assume the responsibility for feeding the rest of the population which is moving largely to the cities and the industrial sector. The problem in all these lands is that the farmer receives an inadequate income when it is compared with that of the industrial population. In all countries this is a major concern. Recently it was demonstrated by a major agricultural study undertaken by the Organization for Economic Co-operation and Development that in countries that were becoming largely industrialized more efficient and larger farm units were feeding the rest of the population.

Mr. Bell (Carleton): Mr. Chairman, most of us agree with what the minister is saying, but I express the hope that he is not opening a debate that will take considerable time.

Mr. Grégoire: I was hoping the minister would answer my question but he is taking a long detour.

Mr. Greene: The hon. member for Lapointe thinks he is the only member in this house; he has often left that impression. Many other hon. members have asked questions and it is incumbent on me to try to answer them as best I can.

The hon. member for Acadia raised some points. He complained that I was not in the house for part of the time when he was making his remarks. I think my record of attendance here is certainly the equal of his; in fact, it may be very superior to his. I think the hon. member labours under the impression that, though he is not here very often, if he makes enough noise when he is here he will make up for all those times when he is not here. In point of fact I was in my office attending to a prior appointment. My office is on the second floor. When the hon. member for Acadia speaks one can be anywhere in the building and hear him. One does not have to be actually in the chamber.

[Mr. Greene.]

• (6:20 p.m.)

The hon. member complained about the lack of legislative accomplishment, including agricultural accomplishments, during the past year. Possibly I should clear the record in this regard. He claims that this government has accomplished nothing whatsoever during the past year in agriculture. I would draw attention to the following items. The Farm Credit Corporation Act was amended to increase the capitalization from $24 million to $40 million and to increase the borrowing power from $600 million to $1 billion. An act was passed to establish the Canadian Dairy Commission which I suggest will prove in the future to have been a milestone in Canadian agriculture. Amendments to the Crop Insurance Act were passed increasing the federal level of payment and making the act adaptable to a greater variety of crops. Crop insurance is now available as never before all over Canada. Section 88 of the Bank Act was amended only yesterday to give a very impressive benefit to those engaged in agriculture. I claim no credit for this. The hon. member for Essex South deserves all the credit for it, I believe. But I do suggest that credit should accrue to the government side.

A farm machinery inquiry was established. Hon. members opposite had asked for this for many years and in all fairness I must say that they attempted to do something about it in 1961 and 1962 by bringing this matter before the committee. We instituted an inquiry by highly responsible people so as to allay fears and find new policies in this area. The dairy program in each of the years we have been in office has evolved continuously and shown a continuing improvement. It represents an accomplishment in which I think the government can well take pride.

With regard to the situation in agriculture generally, I think I should point out that for the first time last year farm income in Canada reached a gross figure of $4 billion. Some hon. members opposite including, I believe, the hon. member for Acadia, have indicated that farming is a diminishing industry. Some said that farmers were almost going out of business. Let me cite a few statistics. In the years from 1959 to 1963 the average production of cheddar cheese amounted to 118.7 million pounds. In 1964 it was 144.6 million pounds, in 1965, 158 million pounds, and in 1966 an estimated 167 million pounds. So there has been an increase each year. What are the figures for cheddar cheese exports? From 1959 to 1963 the average was 21.9

million pounds. In 1964 they amounted to 30.3 million pounds, in 1965 31.6 million pounds, and in 1966 an estimated 35 million pounds.

An hon. Member: What about butter?

Mr. Greene: I will come to butter. It is doing fine too. What about the price of beef about which some hon. members from the west should be concerned? Despite their lamentations and their accusations that the government has done nothing, the figures are interesting. The price of beef when they were in office in 1963 was $23.65 per hundredweight for good steers at Toronto on the basis of monthly and yearly averages. In 1964 it was $22.70. In 1965 the price was $24, in 1966 it was $26.03, in January of 1967, $27.50 and in February it was $27.50. I suggest these are improvements and that it is completely irresponsible to say there have been no improvements in the industry. These improvements have been made since we came to office.

What about eggs? In 1963 the price was 34 cents a dozen. In 1966, the average price for all grades was 40 cents a dozen. I will admit that at the present time, as some hon. members have pointed out, there are problems in connection with the supply of eggs. But I think these will be solved as the season proceeds. Even now the price is 35 cents a dozen.

What about wheat sales and wheat products? No less than 840 million bushels of wheat were produced and 600 million bushels went into export. I have a speech made by the hon. member for Qu'Appelle, formerly minister of agriculture, during his term of office. In it he stated that we should not foresee export sales in the future greater than 300 million bushels. This was quoted in the *Western Producer* and I am pleased to say I have a copy which I can show at any time to hon. members who are interested. This was the "doom and gloom" philosophy with respect to agriculture which has not been borne out under the authority of this administration.

Someone asked about dairy products. Let me cite a few statistics in this regard. Milk production in 1957 amounted to 17 billion pounds. For succeeding years the figures were as follows, in billions of pounds: 1958, 17.7; 1959, 17.6; 1960, 17.7; 1961, 18.3; 1962, 18.4; 1963, 18.4; 1964, 18.5; 1965, 18.3. Dairy milk used went up in every area except that of farm use where, of course, it has a lower commercial value. In 1952 fluid milk production amounted to 5,117 million pounds and in 1966 to 5,240 million pounds. Butter production rose from 7,099 million pounds to 7,440 million pounds in 1966 and cheese from 1,212 million to 2,039 million pounds.

I could continue reading figures into the record from now until midnight to show not only increased productivity in agriculture but an improvement in the price structure during the past three years since the government took office.

Mr. Nowlan: May I ask the minister a question? Is he suggesting by these figures that the net income of farmers increased in those years?

Mr. Bell (Carleton): Is the minister trying to talk out these estimates?

Mr. Greene: Hon. gentlemen opposite are very prone to make speeches on the estimates which are devoid of substance and contrary to the facts under the assumption that they will get away with it and that no one will show them to be false.

Some hon. Members: Hear, hear.

Mr. Bell (Carleton): If the minister opens this up he will be kept here until after Easter.

Mr. Greene: This is all right by me. This is what we are here to do, and every time false facts are placed on the record I think any hon. member has the right to correct them.

Mr. Bell (Carleton): I suggest the minister should get in touch with the President of the Treasury Board and see what that minister thinks of the way in which he is conducting himself.

Mr. Greene: If the hon. member is saying it is the duty of members of this house to leave false facts on the record I will be very pleased to take his opinion in this regard.

Mr. Nowlan: I do not think the minister has yet answered my question, though it was I who asked him a question originally.

Mr. Greene: If the hon. member will permit me to finish my speech I will answer questions thereafter.

Some comment has been made about dairy prices. I do not pretend for a moment that we have achieved during three years in office all we would like to achieve. But with respect to the allegations made this afternoon that there has been no progress I think it is fair to point out that when we came to office the price of manufacturing milk was $2.66.

Supply—Agriculture

• (6:30 p.m.)

The party that was responsible for a price of $2.66 for manufacturing milk is claiming today that an increase in that price to $4.75 over a period of three years is not a notable accomplishment. The hon. member for Gaspé said, and I took down his words verbatim, "What is a 33⅓ per cent increase"? In other words, what is an increase of $30 million? At one time in this house someone is supposed to have said, "What's a million"? Now we have the statement, "What's $30 million"?

There are improvements in other areas, Mr. Chairman, that I think I should put on the record. In 1961 the total wheat crop was 283.4 million bushels, in 1962, 565.6 million bushels, in 1963, 723.4 million bushels; in 1964, 600.4 millions bushels, in 1965, 648.9 million bushels, and in 1966, 844.4 million bushels. Exports of wheat in 1961 totalled 305.3 million bushels, in 1962, 474.4 million bushels, in 1963, 565.9 million bushels, in 1964, 531.7 million bushels, and in 1965, 566.5 million bushels. Here are the figures of total farm production in millions of dollars. In 1961 the figure was $485.3 million, in 1962 $941.4, in 1963 $1,259.2 and in 1964, the last year for which we have figures, $957.2 million. The price for No. 1 Northern wheat at the lakehead in 1961 was $1.90 per bushel, in 1962 $1.96, in 1963 $2.03, in 1964 $1.98, in 1965 $2.00, and in 1966, estimated to date, $2.11.

If these figures indicate a declining industry—

Mr. Grégoire: May I ask a question?

Mr. Greene: When I finish my speech. If these figures indicate a declining industry, and I know figures do not always tell the truth, it seems a strange conclusion to draw. All these figures in every facet of the agricultural industry show that the industry is a productive one, that the Canadian farmer is doing a tremendous job of production, something which seems to be denied in speeches made from the opposite benches. Speeches made by hon. members opposite indicated that the industry was a dying one, that it was in terrible shape, and some of the speeches indicated that we are going to be out of farming altogether in Canada soon. I do not think we serve the farmers well, or anyone else well, by raising bogies that do not exist, by alleging facts that are not so, or by indicating problems that in fact are merely indicated for political and partisan purposes.

[Mr. Greene.]

I think we should all agree, as I said at the outset, that we want to do everything we can to improve the farmers' position, that we want to have policies which will enable the agricultural sector to have a better way of life and income more comparable with the industrial sector. But I think we will achieve those ends much more effectively if we face the facts as they are and not as we would like them to be for political or partisan purpose

Some questions were asked with respect to the dairy program. First of all allusions were made, again I believe by the hon. member for Gaspé, to the effect that we gave an undertaking to the very good meeting of agriculturalists from l'Union Catholique de Cultivateurs of the province of Quebec who came here yesterday. This was a meeting called at their request. They came here in order to give us their views and to make their representations with respect to the dairy program for the ensuing year.

Those representations were made forcibly but responsibly. Their views were made known very clearly to us. No undertaking whatsoever was given except that the representations which had been made would be given every consideration in this year's program in the light of the government's responsibility. As with this and other programs I do not claim we have achieved everything we would like to do. I do not think we have perfection by any means but I say that a contribution of a further $30 million is a responsible contribution. I say that a program which increases the support at the federal level beyond last year's price at this time of $4.10 to $4.75 is a step in the right direction even though it may not be all we would have it be.

I know that the party of hon. gentlemen opposite has had the responsibility of office from time to time and that its members realize some of the differences between opposition and the responsibilities of government, with the government having to consider all facets and factors of the economy. Members of other parties have never had the responsibility of government and never will have it. The public does not think they ever will have it and so it is very easy for them to say, "You should give everybody everything they want." If we had given everybody everything they wanted by acceding to the requests made from time to time from various parts of the house, this country would have been bankrupt long ago.

Some hon. members remind me of the American congressman who was asked how he stayed in office so long. He said, "I voted for all expenditures and against all taxes." I think maybe there are members of this house and parties in this house that subscribe to the same irresponsibility.

I merely say, Mr. Chairman, that all these facts and figures indicate that the government has created a climate and has passed legislation which has moved the agricultural economy ahead productively and economically. I agree that there is a great deal more to be done, that none of us should cease in our endeavour to bring the farmer into the economic sunlight in the same measure as the industrial worker has come into it over the past few years. But I do suggest that to load the record of this house under any pretext, be it interim supply or otherwise, with facts that are not borne out by the record does no service to the farmer and does not bring the day closer when we will have the kind of comprehensive policies which will achieve the economic results that I think all members want for the agricultural community.

Some hon. Members: Hear, hear.

[*Translation*]

Mr. Grégoire: Mr. Chairman, the minister quoted figures relating to increased production and prices. Could he give us the same prices with regard to production costs? Could he tell us, for instance, how much it cost in 1958, 1959, 1960, 1961, 1962, 1963, 1964, 1965, 1966 to produce a hundredweight of milk compared to today?

I also want the minister to answer my earlier question. Is $4.75 per hundredweight of milk an average or a minimum price?

[*English*]

Mr. Greene: Mr. Chairman, costs of course depend upon the efficiency of the farmer, the size of his operation and the techniques he uses. I have no cost figures which would apply to each and every individual farmer. I certainly appreciate the fact that the farmer's costs have gone up, that he is caught in the cost-price squeeze and at the same time in some areas is unable to get a better price for his product, but there is one area in which he has certainly been able to get a better price for his product, thanks to this government's policy, and that is in the area of manufacturing milk. However much his costs have gone up I suggest I am very safe in saying they have not gone up during the last three years in the proportion of $2.66 to $4.75, which is the price we have made available to him now.

With regard to the hon. member's question about $4.75 milk, the statement is very clear. It is very specific. I know the hon. member understands it, and I hope he does not wish to delude either this chamber or the farmers in any way. What we have said is that our support policy will enable factories to pay $3.54 for milk which, with the $1.21 subsidy, will give a price of $4.75 for milk.

• (6:40 p.m.)

As I said last year and repeat now, we have no authority to force factories to pay any price whatsoever. We have a support program that will enable them to pay $3.54. In the province of Ontario machinery has been set up which will compel the factories to pay this price when the support program enables them to do so. The minister in the province of Quebec has assured me that in the ensuing year they will have similar machinery available so that they will be in a position to fix the price. In the province of Quebec and possibly in other parts of Canada there are remote areas in which there are casein and roller powder plants which may not be able to pay this price. This applies particularly in respect of casein. The minister in the province of Quebec has assured me that as a result of the savings which will ensue from our taking over the support in respect of manufacturing milk they will be able to supplement provincially those areas in which the companies cannot pay the $3.54.

I should like to make it abundantly clear that I have never said that we are fixing the price, that we can fix the price, or have the authority to do so. The statistics I have indicate that in some areas, particularly in Quebec, some factories may not be able to pay this price but, from the statements which have been made to me, the provincial government will put them in a position to pay it then in fact the factory will pay this price to the producer.

[*Translation*]

Mr. Grégoire: Mr. Chairman, I am stressing this problem because it is extremely important. We were told, last year, that our dairy policy would give the farmers, the producers of industrial milk, an average of $4 per hundredweight of milk and it is precisely this $4 per hundredweight that allowed certain industries to avoid paying that price.

Now, since the minister tells us that his government is granting the necessary aid to

enable industry to pay $3.54 per hundredweight could he say whether the assistance his department is giving the dairy industry is designed to secure a minimum of $3.54 per hundredweight?

Does he not feel it would be better to set a minimum price the manufacturers or the processors would have to pay the milk producers, as he has said that his department was giving all the necessary assistance and the required support so that the milk industry could be in a position to pay $3.54 per hundredweight of milk?

Since the federal government is providing the assistance necessary for a minimum payment of $3.54, why is his Department not setting a minimum price of $3.54 per hundredweight as the price to be paid by the operators of the milk industry to the milk producers?

[*English*]

Mr. Greene: Mr. Chairman, as I explained before, the best advice I have is that at the federal level we do not have the authority to fix prices within a province. This is a provincial responsibility. I do not know whether it will be feasible in all the provinces to have boards which set prices. Certainly, however, this is a matter which will be discussed by me with the provincial ministers. I know this already has been done in the province of Ontario and I am assured by the minister that it will be done in the province of Quebec. Surely this should answer the fears of my hon. friend concerning the $3.54 being paid, provided that the action which I have been assured will be taken is carried out by the province of Quebec.

[*Translation*]

Mr. Grégoire: Mr. Chairman, it is an important problem. I realize that everyone is anxious to complete as soon as possible, the consideration of those estimates; nevertheless, I would have one or two questions to put to the minister.

Could the minister tell me whether his Department would object to the payment of additional subsidies by the Quebec government, if the dairy industry was unable to pay the price of $3.54 per hundredweight of industrial milk?

[*English*]

Mr. Greene: Mr. Chairman, the problems in respect of provincial subsidies which arose last year made life very difficult for those provinces which did not have the subsidies. When a subsidy in one province enables a manufacturer in that province to produce more cheaply than a manufacturer in another province, this leads to an unnatural flow of the product across the provinces and makes it difficult for the federal government to exercise its responsibility equitably over the movement of the product across provincial boundaries. Accordingly, the ministers from the province of Quebec, the province of Ontario and I met and resolved the problem as best we could. I believe we reached a viable solution. It was agreed that provincial subsidies would be removed provided that the federal program for the ensuing year included an increase of a minimum of 25 cents. This has been done. It was made quite clear, however, that in areas such as those which have casein or roller powder plants, or other remote areas where the plants are not able to pay the $3.54, the province of Quebec would have every right to subsidize those producers up to the $3.54 level.

It was suggested that the funds they would save by reason of the Federal increase in our support level, which I understand would amount to $8 million or $9 million, could be used for that purpose and, along with capital expenditures, for the purpose of rationalization of the industries in those areas which do not have economic plants or, in particular, in which there is a desire to carry out a conversion from casein.

[*Translation*]

Mr. Grégoire: Mr. Chairman, if I understand correctly the minister's statement, his department would see no objection in allowing the Quebec government to pay additional subsidies which would enable the leaders of the dairy industry to pay $3.54 for a hundredweight of milk?

In my view, that is what his statement is all about.

[*English*]

Mr. Greene: I think that is quite correct. I might add that I would be somewhat presumptuous if I were to tell any province what kind of subsidies it should provide. I think it was agreed that if there were to be provincial subsidies they should be equalized, that is, that a disparity in respect of subsidies between one province and another would not lead to an efficient and economic industry. In our deliberations, however, I believe the provincial ministers preferred to get out of the business of subsidies on manufacturing milk in consideration of a better federal program

and in turn we believe the responsibility in respect of fluid milk should remain with the provinces.

[*Translation*]

Mr. Grégoire: Mr. Chairman, I have another question and I should like to clarify this point, as I know it is one of the most important problems facing the Quebec dairy producers. As a matter of fact, the province of Quebec has a right, and this was recognized at the conference between the federal Minister of Agriculture and his counterparts in Ontario and Quebec, to pay a subsidy for manufacturing milk, but only up to $3.54 per hundredweight of milk, so that this will be standardized throughout Canada. Then, the province of Quebec will have the right to grant a subsidy up to this amount of $3.54 per hundredweight of milk.

And now, another point, since this is what the Minister of Agriculture just told us. I think that, at that time, the Quebec milk producers—

Mr. Asselin (Richmond-Wolfe): It is not that at all.

Mr. Grégoire: Mr. Chairman, I hear the hon. member for Richmond-Wolfe (Mr. Asselin) telling me it is not that at all. Perhaps I misunderstood the answer of the Minister of Agriculture.

Therefore Mr. Chairman, I will again direct my question to the minister. If milk producers received less than $3.54 per hundredweight for manufacturing milk in some areas, the Quebec government could make up for the difference by means of subsidies, so that the dairy producer would get a minimum of $3.54 per hundredweight?

• (6:50 p.m.)

[*English*]

Mr. Greene: Mr. Chairman, I have tried to answer this question four times but apparently I am not getting through to the hon. member. I cannot stop provincial governments from paying whatever subsidies they wish. They have the constitutional right to pay any subsidy they desire.

The gist of our agreement last year was that we would envisage a program in respect of subsidies which would improve the situation of the industrial milk farmer by the provision of a minimum of $3.54 in the coming year. The provincial governments indicated that if such was the case they would stay out of the manufacturing milk subsidy field except in those areas where the plants could not be supported to the extent of $3.54 because of economic reasons. It was agreed by the three parties at that time that if Quebec adopted such a program in those areas enabling producers to get $3.54 it would be in keeping with the spirit and tenor of the agreement we made.

[*Translation*]

Mr. Grégoire: Mr. Chairman, I have another question for the Minister of Agriculture—

[*English*]

Mr. Keays: Mr. Chairman, I should not like to let this opportunity pass without assuring the minister that I do not belong to the school which believes in the weights and measures criterion. I belong to the school which believes we should get away from this spending spree but not at the expense of the farmers. The 33⅓ per cent figure in which the minister took such pride is relative to the amount of milk produced and does not relate to dollars and cents. We should look at production and methods of providing farmers with a better way of living.

Mr. Danforth: Mr. Chairman, I did not intend to take part in this discussion at this time but I cannot let the minister's partisan remarks go by without comment. He suggested that the facts put on record by those of my colleagues who are not present at this time in the house were substantially incorrect. Will the minister accept the facts in respect of agriculture put forward by my colleagues or does he stand by his figures and say that the farmers in Canada never had it so good?

Mr. Greene: Mr. Chairman, those are the hon. member's words, not mine. My remarks and the statistics I placed on the record clearly indicate that from the standpoint of productivity the Canadian farmer is doing the best job he has ever done and the best job being done by farmers in any part of the world. From the standpoint of gross income we have made considerable improvement. I have said time and time again, and if this is what the hon. gentleman has reference to I agree with him, that we have done quite a bit but must do a great deal more. On the other hand, we cannot contribute to the accomplishment of better policies or a better way of life for the farmer by mis-stating the facts or misleading the farmers by suggesting that farming is a dying industry and there is no

hope. That attitude will not contribute anything. I take exception to this attitude when expressed by hon. members. My contention is that we have done a great deal but we must do more.

[*Translation*]

Mr. Grégoire: A further question, Mr. Chairman.

The Minister of Agriculture knows that when a dairy producer produces fluid milk for bottling, the dairy fixes a quota, and when such a quota is exceeded for an additional quantity of 20 per cent, the dairy no longer has to pay a minimum or average price to dairy producers. Therefore, this means that if a farmer has a 500-pound quota and he comes to the dairy with 700 pounds of milk, he will get his maximum or the average price on 500 pounds, but on the extra 200 pounds he may as well get $2.00, $2.25 or $2.30 per hundredweight. In this way, his average price for 700 pounds of milk is greatly reduced.

Can the minister tell us whether, under the new dairy policy announced today, dairies will have to pay $3.54 per hundredweight for any surplus, above the quota fixed, that will be used as bottled fluid milk, but as manufacturing milk to be processed into butter, cheese and other dairy products? In other words, will the policy announced today also apply to any surplus, starting with the first pound of milk, above the quotas fixed by the dairies?

[*English*]

Mr. Greene: Mr. Chairman, the statement very clearly indicates that responsibility for the fluid milk industry as far as we are concerned now rests with the provinces. No matter how hard everyone tries to do his best it is difficult to devise effective programs when there is mixed jurisdictions. As a result of our agreement with the provinces last year, under which we accept responsibility for the support of manufacturing milk, we deemed it in the interest of the industry generally that we should leave the entire authority and jurisdiction in respect of fluid milk with the provinces.

[*Translation*]

Mr. Grégoire: Mr. Chairman, I am not referring to the quantity of fluid milk for bottling sold by the dairy farmer, I am talking about that part of the small producer's milk to be used as manufactured milk and processed by the manufacturer. I am dealing only with that part used as manufactured milk and brought by the farmer to the dairy in excess of the quota fixed by the dairy.

I shall therefore repeat my question. If a farmer brings 700 lbs. of milk to the dairy when his quota is fixed at 500 lbs., that quantity will be bottled and sold as fluid milk. Then, that quantity of milk will come under provincial jurisdiction, but will the remaining 200 lbs. used as manufactured milk and processed as butter, cheese or other products be subject to the new dairy policy announced today by the minister? That is what I want to know.

[*English*]

The Chairman: Shall vote 172 carry?

Some hon. Members: Agreed.

[*Translation*]

Mr. Grégoire: Mr. Chairman, can the minister answer this question; it is the last one I have to put to him. Will that part which is to be used as manufacturing milk and processed at the factory, and which will not be used as fluid or bottled milk, come under the new dairy policy announced today? Will the new dairy policy apply to part of manufacturing milk? That is what I should like to know from the minister.

[*English*]

The Chairman: Shall the item carry?

[*Translation*]

Mr. Grégoire: Mr. Chairman, all I want from the minister is yes or no. It is my last question. Could the minister answer it? Will it come under his jurisdiction?

[*English*]

Mr. Greene: Mr. Chairman, I want to answer the question if I can.

Mr. Grégoire: Just say yes or no.

Mr. Greene: As I understand the nomenclature of the trade, if you have a fluid milk quota and you deliver to a fluid milk plant you are a fluid milk producer whatever your quota may be. Everyone who has a fluid quota is looked upon as a fluid milk producer. It is the intention of this program that those individuals will come under provincial jurisdiction and that those individuals who do not have fluid quotas will come under federal jurisdiction so far as subsidy and support are concerned.

• (7:00 p.m.)

[*Translation*]

Mr. Grégoire: Mr. Chairman, the hon. minister could have answered much faster. Is the answer to my question, yes or no? We do not know it by the way he answers, because he says finally that fluid milk comes under provincial jurisdiction. I admit that, but I am referring to the surplus fluid milk which will be used as manufacturing milk and which will be processed. Does that part of the manufacturing milk come under the jurisdiction of the dairy policy announced today? It is simple. Is it yes or no, Mr. Chairman.

[*English*]

Mr. Greene: Mr. Chairman, surplus fluid milk does not come under the policy announced today.

The Chairman: Shall vote No. 17g carry?

[*Translation*]

Mr. Grégoire: On division, since we did not get any satisfactory answer from the minister. Mr. Chairman, I say "on division" because—

[*English*]

The Chairman: Order, please. I think the hon. member for Lapointe is now insisting on the answer that he would like to receive.

[*Translation*]

Mr. Grégoire: No, Mr. Chairman, I am not insisting; I say "on division" because I am far from satisfied with the answers given by the minister, because every time we ask him questions, every time we try to get precise details, he refers us to the Quebec government, and Quebec refers us to Ottawa. In fact, farmers do not know where they stand. Let us organize a system whereby a farmer knows exactly where he should apply. Both governments tax him, but when the time comes to know what to do or to get answers, he gets such a vague answer like: "It is the other one, it is not our fault, but the fault of the other."

If both governments want to keep on taxing, let them organize so as to give him at least satisfactory answers instead of letting him always find himself between two stools or on the fence, which is the least interesting situation I know of. When taxation time comes, he is made to sit down and taxed, but when it is time to do him a service, he finds himself between two stools. That is why I say "on division".

[*English*]

The Chairman: Shall vote No. 17g carry?

Item agreed to.

The following items were agreed to:

20g. Administration, operation and maintenance, $223,600.

Plant and plant products—

35g. Grants, contributions and subsidies as detailed in the estimates, $1.

Health of animals—

40g. Administration, operation and maintenance, $136,000.

45g. Grants, contributions and subsidies as detailed in the estimates, $1.

Canadian dairy commission—

65g. Administration, operation and maintenance, $49,000.

Farm credit corporation—

90g. Estimated amount required to provide for the operating loss of the farm credit corporation for the fiscal year ending March 31, 1967, $2,600,000.

The Chairman: This completes the supplementary estimates of the Department of Agriculture.

ATOMIC ENERGY

The following items were agreed to:

Atomic energy control board—

1g. Administration expenses of the atomic energy control board, $2,214.

Atomic Energy of Canada Limited—
(Research program)—

10g. Current operation and maintenance, including expendable research equipment, $1,000,000.

CANADIAN BROADCASTING CORPORATION

1g. Grant in respect of the net operating amount required to discharge the responsibilities of the national broadcasting service, $800,000.

Mr. Knowles: Mr. Chairman, I have a question I should like to put to the minister under this item which calls for an additional grant of $800,000 to the Canadian Broadcasting Corporation. I am not against the grant but I have a question I should like to ask; indeed, I have a suggestion to make.

On January 16 this year I filed a question on the order paper in which I asked for figures covering the calendar year 1966. My question asked how much money had been spent by the various departments of the government on advertising over C.B.C. radio, C.B.C. television, private radio and private television.

My question was made an order for return on March 13, 1967, and a return was tabled that day which is identified as sessional paper No. 238C. I must say that I was a bit amazed to discover from the information contained in

this return that with the exception of one department of the federal government all the departments that do any advertising over radio or television stations spend considerably more money on the private radio and television stations than they do in advertising over the C.B.C. The minister will see immediately why I indicated that I had a suggestion to make to him, that if the C.B.C. needs some extra money maybe one of the ways we could do it would be by transferring government advertising from private stations to the public stations, or at least by doing it on something of a 50-50 basis—not the one horse, one rabbit, a suggestion that was made earlier today.

I will not take the time of the committee to put all the figures on the record; as I say, they are contained in sessional paper No. 238C. But let me give the totals. The total amount spent by the government in advertising over C.B.C. radio last year was $67,511, and over C.B.C. television stations $149,733. I am omitting the cents. But the government spent in advertising over private radio stations $510,246, and over private television stations $502,711. If I may go one step further and just add those figures together, both radio and television, it adds up to an expenditure of $217,255 in advertising over the C.B.C. but $1,012,958 in advertising over private radio and television stations. There is a difference there of almost 5 to 1. In fact, in one of the minister's own departments—I am thinking of the minister as having three departments, the Treasury Board, taxation and customs —Treasury Board and customs apparently did no advertising of this kind, whereas the taxation people spent $3,857 in advertising over C.B.C. but $77,854 in advertising over private radio.

I am going to ask the minister for an explanation. I ask why this kind of advertising is not divided a little more evenly between the two broadcasting régimes in this country; and does he not agree that here is a way where money might be obtained by the C.B.C. for advertising services rendered, rather than having to make a grant at this time? I do not wish it to be inferred that I think the advertising that is done is all worth while. Some of it is, but I think some of it is not. I am not going into that matter now; I am going, rather, into the question of the inequity of the way in which this advertising money is spent.

Mr. Benson: Mr. Chairman, of course I cannot speak for all advertising that is done and how it is divided as between C.B.C. radio and private radio stations. But I can speak with respect to my particular department and the taxation division. The advertising that is carried out on radio is allocated in order to achieve coverage in all cities in Canada and all areas of Canada.

There is a much greater number of private radio stations than C.B.C. stations. The C.B.C. stations cover the major markets. Where these stations exist, they are used. Every station is covered by the advertising agency based on listener reports. They are selected by the agency in order to obtain maximum coverage. There was no television involved with regard to my department. To obtain the coverage we wanted in the areas we wished to cover, we had to use far more private stations in number, and consequently in dollars, than C.B.C. stations.

Mr. Knowles: Mr. Chairman, does the minister expect me to believe that this explains the disparity in his own department of 20 to 1?

Mr. Benson: Yes.

• (7:10 p.m.)

Mr. Knowles: The minister says yes but he has not convinced me.

Mr. Benson: I would be very pleased to show my hon. friend the breakdown in the submission which was given to me by the advertising agency in order to accomplish the coverage which was desired in this particular campaign.

Mr. Knowles: I would still like to suggest to the minister, in his capacity as President of the Treasury Board, which looks at these expenditures, that he take another look at this question of the government spending five times as much on private stations as on the C.B.C.

Mr. Cowan: Mr. Chairman, since parliament has given us practically no opportunity to discuss matters relating to the C.B.C.—the latest example of that was when the estimates of the C.B.C. were withdrawn from the committee on broadcasting and brought into the full house a few weeks ago—I should like to make some comments on this vote. Since the C.B.C. gives no information to anybody, they cannot be said to have a spokesman in the house. I have referred to the Secretary of State on several occasions as representing the C.B.C. She certainly does not answer for it, as she is never given any information with which to answer questions.

I can say that I can state the position of the C.B.C. with regard to the most recent exchange between the hon. member for Winnipeg North Centre and the Minister of National Revenue. One reason for the great disparity in the moneys paid out to private stations as compared to those paid the C.B.C. is that private stations have a much greater audience appeal and a much larger number of listeners and viewers. This can be proved by the Bureau of Broadcast Measurement. If the cabinet wishes to reach the largest number of viewers and listeners for the money it is spending, it has to use private stations.

It will be interesting to have an analysis made of the figures which the hon. member for Winnipeg North Centre has just produced to see how much money was spent on private stations which are located in centres where there is also a C.B.C. station. I find it hard to believe, after having been in the advertising business for 40 years, that the disparity could not be reduced in the smaller communities where the C.B.C. does not have an outlet, especially in view of the fact that rates are not very high in these smaller communities. The most interesting comparison would be between the money that is spent on private stations in centres where there is a C.B.C. outlet and places where they operate alone. I do not expect this information will be given to us much before one or one and a half years have elapsed, at which time we will have forgotten about the whole matter.

My purpose in rising now is to ask two questions. I note that in the past few days that great Canadian commentator, Mr. James F. Minifie, who is a full fledged American citizen and therefore is in a position to look through Canadian eyes at affairs going on in Washington and in the United States, and is able to tell us stay-at-home Canadians how he looks at Canadian affairs, has recently made a trip to Guam with the President of the United States. If it is at all possible I should like to ascertain whether or not the C.B.C. paid anything for the passage of Mr. Minifie, a United States citizen, because of the attack made by Mr. Knowlton Nash on three Canadian newspapermen alleging that when they took part in an aeroplane trip to South Viet Nam paid for by the United States government their opinions were therefore coloured. If these newspapermen's opinions were coloured by the fact that they flew to South Viet Nam at no expense, what about the opinions of Mr. Minifie who flew to Guam? If we are told that Mr. Minifie's expenses were paid, can we ascertain from the C.B.C. how much the C.B.C. paid for that trip?

If he was only paid $100 or so, as a token payment, which is nothing compared to what it would cost to fly from Washington to Guam, survey the scene and fly back, then there is nothing more to say. Otherwise I do not see how the C.B.C. can allow a man like Mr. Nash to stand before the microphones and accuse people who fly to South Viet Nam at the expense of the United States government of being biased in their opinions, while a fellow citizen commentator, Mr. Minifie, flies to Guam and back and we have to believe that his opinions are absolutely crystal clear and pure. If the C.B.C. would stop attacking competing media and look after its own house, it would be much better. I would ask the minister to ascertain how much money the C.B.C. paid for Mr. Minifie's flight to Guam.

Has the C.B.C. taken a definite stand to do everything possible to offend the U.S. government? I have stood in this house on numerous occasions and stated that, come what may, the foreign policy of this nation should be to maintain the closest possible friendship with the United States. I will repeat this tonight. In the last 24 hours we were told about a group of U.S. citizens who, according to the United States government, were violating the United States law in taking medical supplies to North Viet Nam by launch from Hong Kong. They are going to North Viet Nam with $10,000 worth of medical supplies. I say: All power to them, and God bless them in the work of compassion which they are performing. I certainly do not criticize them.

We are told, when we are performing any works of compassion, not to let our left hand know what our right hand is doing. I do not know of any organization that is getting more free publicity for their limited work in helping the injured in North Viet Nam than the organization which is operating that launch from Hong Kong to Hanoi. Yet why is the C.B.C. sending a man to travel alongside the launch in preparation of an hour long documentary? Is the C.B.C. going to spend its time to show that the United States government is performing great outrages in North Viet Nam and at the same time prepare a documentary on these fine gentlemen who are going out in a launch with medical supplies, to show the fine work they are doing?

The $10,000 in gifts going to North Viet Nam is nothing compared to the value of the free advertising that this trip in a launch is

receiving. Why does the C.B.C. have to commission a freelancer to go along and make a documentary of the trip? Is it not enough to tell us that medical supplies are being run to North Viet Nam and the United States does not like it? Why does the C.B.C., which is paid for from Canadian government funds, have to have a man following the launch to prepare a documentary showing that $10,000 worth of medical supplies are being brought to North Viet Nam? It is galling, the way the C.B.C. is eternally needling the United States and its attitude with regard to North Viet Nam, as well as its attitude in other parts of the world where the United States government has to take an active stand while more supine governments take no stand at all. Why is the C.B.C. always needling the United States?

Can the minister ascertain whether the C.B.C. is paying for Mr. Minifie's trip to Guam and back, and can he also advise us whether the C.B.C. has taken a definite anti-U.S. stand in the light of the fact that Beryl Fox had been sent to South Viet Nam, and now this freelancer is going to North Viet Nam?

Mr. Reid: I should like to ask the hon. gentleman who just spoke whether he knows it as a fact that Knowlton Nash is a United States citizen?

Mr. Cowan: I never made such a statement. I said Mr. Minifie is a United States citizen. I do not have enough interest in Knowlton Nash to inquire what his citizenship is.

Mr. Nesbitt: Mr. Chairman, I was only going to take about five minutes of the time of the committee to make my comments, and I would not even take up that much time except for what the previous speaker has mentioned, namely that we never get a chance to discuss the C.B.C. in this house. In fact we have not had such a chance for years, except for the briefest exchanges during the question period.

There are one or two points which I should like to bring to the attention of the committee. I do not suppose that my comments will make any difference in the outcome because this extra expenditure will be approved this time. I should like to know who if anybody in the C.B.C.—and I suspect no one—has any control over the amount of money that is spent on these trips, and what is their purpose.

People are being sent on such junkets as this trip to North Viet Nam to cover the Quaker launch taking supplies to Hanoi, and we could name many more instances. I realize that people in the C.B.C. think there is a limitless well of money, and all they have to do is ask for it, that no matter what the purpose of such an expenditure might be, parliament will grant it. To be fair, I do not blame the C.B.C. officials for thinking this because the supine parliament, of which I have been a member for many years has always voted, almost without question, whatever amount of money the C.B.C. has asked for. As I said earlier, parliament seldom gets the opportunity to do much questioning of the operations of the C.B.C.

• (7:20 p.m.)

As the previous speaker very well pointed out, the C.B.C. seems to be more interested in being anti-American than it is in looking after the problems in Canada. They send all sorts of people down to the southern United States to take pictures, make documentaries and all the rest about the very difficult race problems existing in the southern United States. This is of some interest to Canadians, of course; but for a while every time you turned on the radio or a television set all you would hear about was the problems of the southern United States.

The C.B.C. should spend more of the taxpayers' money on trying to better the lot of the Canadian Indians and Eskimos and some of the other groups in this country. This would be much better than spending much of their time broadcasting the problems of other countries. Though these may be of some interest to Canadians, they are not of paramount interest. Our main interest is, or should be, the problems we in Canada face, and we should be told how we can cure them. I suspect that some of the people in the C.B.C.—for what reason I know not, though I have my suspicions—want to do all they can to damage the image and reputation of the United States in Canada; and we all know who will benefit the most from this.

There are many other examples I could cite in this regard, Mr. Chairman, but my time is limited. I should like whoever is replying for the C.B.C. just to cite one example during the course of the last two or three years, or even further back than that, of a program that was even neutral in content toward the United States. All of the programs I have heard were violently anti-American, and I am a constant listener to the C.B.C. We will have a great deal more to say on this matter on another occasion, but I think this matter should be brought before the house as often as possible.

One of the main criticisms I have heard of the C.B.C.—and it is one of my own as well—is that some people in the C.B.C. seem to have a God-given mission, a self-appointed one, I may add, to know what is best for the people of Canada and they make sure that Canadians get it whether they like it or not. They decide a certain economic policy or political policy or social policy is good for Canadians and they ram it down our throats. All you have to do is listen to any of the commentators on programs, or C.B.C. spokesmen, and you will see what I mean.

I have no objection to some people in the C.B.C. wishing to make it a policy to brainwash the public, provided both sides of a controversial subject are presented. I know that there is, of course, a very practical disadvantage to this suggestion, because if the brain trusters in the C.B.C. decide to promote anti-Americanism, or socialism, or something else, they will do so. Then if they are asked to present the other side of the picture, all they will do is to put on the program people who do not present a very good case for the other side. That is all they will do and I know that perfectly well.

Nevertheless, Mr. Chairman, I think that some sort of body should be given the power to make regulations. Certainly the Board of Broadcast Governors do not do their job, that's for sure; otherwise we would not have this problem. I suppose a lot of people like to be appointed to the board because it gives them some prestige and they never do anything. I think they should pay more attention to their jobs.

To return to the subject, before the C.B.C. is given a lot more money by this parliament it should be impressed upon that organization that they will not get it unless controversial subjects of great public interest are presented in a fashion which shows both points of view. This has never been done to date, and I think it should.

I do not wish to take up the time of the committee, Mr. Chairman, because we all wish to get things completed as soon as possible; but I know that a good many of my colleagues on both sides of the house will have more to say on this subject.

Mr. Benson: Mr. Chairman, I should just like to say that, as my hon. friend of course knows, the government is not responsible for the programming policy of the Canadian Broadcasting Corporation. The best I can do is to bring to the attention of the C.B.C. through the Secretary of State the remarks made by hon. members in this chamber.

I should point out that the amount of money we are asking for in this estimate is $800,000. This represents part of the cost of the increased salaries that were agreed upon in negotiations this year. We pressed them very hard to find as much of this as they could out of their existing budget, and this is the balance which could not be found.

Mr. Nesbitt: May I just ask one question. Is any of this money for these colour television sets we have been hearing about?

Mr. Benson: No. This is purely salaries, nothing to do with television sets, to the best of my knowledge.

Mr. Knowles: Mr. Chairman, if the minister is conveying what has been said here to the C.B.C. officials, I hope he will also add that there are some programs the C.B.C. puts on which some of us think are very good and very useful.

Item agreed to.

CHIEF ELECTORAL OFFICER

1g. Salaries and expenses of officer, $2,060.

Item agreed to.

DEPARTMENT OF DEFENCE PRODUCTION

The following items were agreed to:

A—Department—

10g. Reimbursement of the supply service revolving fund for the value of stores which have become obsolete or unserviceable, $13,423.

15g. Reimbursement of the queen's printer's advance account for the value of stores which have become obsolete or unserviceable, $36,678.

C—Crown companies—

Canadian Arsenals Limited—

40g. Administration and operation, $391,000.

45g. Construction, improvements and equipment, $67,700.

DEPARTMENT OF ENERGY, MINES AND RESOURCES

Administration services—

1g. Departmental administration, $104,000.

Mr. Herridge: Mr. Chairman, I just want to speak briefly on a matter that is of importance to Canadians generally and of particular importance to those who have been following the question carefully and have made some study of it. I refer to the growing

concern across this country among professional people and other Canadians at the decision of the United States to increase the capacity of Grand Coulee dam from 2 million kilowatts per annum to 9.2 million kilowatts per annum by 1990, all based on storage in Canada.

I think that more and more Canadians are realizing that this situation has resulted from an unfortunate mistake on the part of the Canadian government and the government of British Columbia, and they at least hope that this experience will make us very careful when we come to develop a national water policy in the days ahead.

In order to save time I want briefly to quote from the *Globe and Mail* for January 14, 1967, which contained this article by Mr. Bruce Macdonald from Washington:

> Largely as a result of water storage facilities provided by Canada under the Columbia River treaty, the power-generating capacity of Grand Coulee dam in Washington state will be increased from the present level of almost two million kilowatts to a proposed output in the 1990's of 9.2 million kilowatts, making the Grand Coulee the largest power dam in the world.
>
> Interior Secretary Stewart Udall announced yesterday that a start had been authorized on the addition at once of a further 3.6 million kilowatts, as anticipated at the time the agreement was signed with Canada for the joint development of the Columbia River power and flood-control facilities.

Further on in the article the following appears:

> Despite the U.S. contention, Canadian sources—

We do not know at the moment who they were.

> —expected that officials in Ottawa would almost certainly scrutinize the complex formula laid down in the treaty with Washington to determine whether the addition of power-generating capacity would entitle Canada to claim increased compensation.
>
> Canadian officials noted that even if the total power output was no greater than anticipated at the time the treaty was signed, it was possible the fine print would show that British Columbia was entitled to a higher payment if the extra power produced was used to meet peak demand and was therefore capable of being sold to power distributors at a higher price than electricity for base demands.

Then under the subheading "Canada sold down river, Toronto economist says", Mr. Macdonald writes:

> • (7:30 p.m.)
>
> Mr. Higgins said: "The U.S. is taking advantage of the tremendous opportunity for the investment in very cheap power and very cheap storage. I don't think there is an estimate available as to the cost the United States would face to get the peaking power they would need if the Canadian storage was not provided."
>
> Mr. Higgins said Canada would not reap any of the benefits the United States is obtaining from the savings brought about by the cheap peaking power of the Columbia.
>
> "Canada should have got greater benefits in the treaty, Canada is not even going to get enough money from the treaty to cover the costs of building the storage capacity, which will only aid the United States. We get zero from it."

[Mr. Herridge.]

Then, in Vancouver, Dr. Hugh L. Keenleyside, co-chairman of the B.C. Hydro and Power Authority, said:

> Increased power-production in the United States would have no bearing on major power development projects under way in British Columbia.

There is a final statement from another Canadian expert on the treaty, Mr. Gordon MacNabb, of the water resources branch, of the Department of Energy, Mines and Resources. He agreed with Dr. Keenleyside in that the Coulee announcement would have no effect on Canada. He said water stored several hundred miles away in Canada would not be affected by the operation, and the extra capacity would have been installed whether or not there had been a treaty.

This has created concern among hydro engineers. Not long ago a leading engineer spent two hours with me discussing this question, which has been discussed at professional meetings with engineers. These people, who did not take a stand when the treaty was signed, think that Canada has been sold down the river as far as this treaty is concerned. Others are becoming concerned. I know that trade unions in British Columbia particularly are concerned, as well as some in Ontario. I see the hon. member for Kootenay East smiling; he knows what I am talking about.

Mr. Byrne: That is N.D.P. propaganda.

Mr. Herridge: Also farm organizations as well as other organizations in the province having to deal with the conservation of water resources generally in Canada are concerned with this question, as the result of considering it. Having discussed this question at the union meetings, and at other meetings, I happen to know that the Minister of Energy, Mines and Resources is receiving an increasing flow of correspondence dealing with this question, urging that he have the Columbia River treaty brought before the appropriate committee so that it can be studied, and so that officials of our water resources branch can be examined again.

A few days ago one of the top hydro engineers in Canada told me that though Mr. MacNabb is competent in his field, never in his life has he operated a hydro plant. Other engineers consider him a theorist. These engineers would like the officials of our water resources branch to be brought before the committee and examined, to defend the situation as it is today. We all know that to build this project will cost British Columbia more than it will receive from the United States.

With these few comments I conclude my brief remarks. I have sat here patiently for the great part of the day. I ask the minister to convey my message of this evening to the Minister of Energy, Mines and Resources at the first opportunity.

Mr. Benson: I shall do so.

Item agreed to.

The following items were agreed to:

Field and air surveys, mapping and aeronautical charting—

20g. Administration, operation and maintenance, $100,000.

General—

85g. Polar continental shelf project, $251,000.

B—Dominion coal board—

100g. Administration and investigations of the dominion coal board, $6,500.

105g. Payments in connection with the movements of coal under conditions prescribed by the governor in council—To extend the authority granted by mines and technical surveys vote 75b, Appropriation Act No. 10, 1964, as amended by mines and technical surveys vote 75d, Appropriation Act No. 2, 1966, and by energy, mines and resources vote 105c, Appropriation Act No. 9, 1966, to increase to $37,737,911 the amount that may be spent pursuant thereto in the current fiscal year; additional amount required, $4,591,686.

DEPARTMENT OF EXTERNAL AFFAIRS

1g. Administration, operation and maintenance, including a payment to the Roosevelt Campobello international park commission for the purposes and subject to the provisions of the act respecting the commission established to administer the Roosevelt Campobello international park, and grants as detailed in the estimates, $1.

Mr. Bell (Carleton): An answer to one matter might facilitate consideration of these estimates. I notice that one amount here is set out at $32,000; beneath that amount fortuitously is found the amount of $31,999, the difference happening to be $1. If the minister will explain at this time how it is that these amounts occur so fortuitously, he may get the co-operation from this side he is not getting from his own side.

Mr. Benson: I appreciate the co-operation I have received from all sides of the house. Perhaps I can say a few words about the $1 items in general. There are 18 of these particular items. Ten amend or extend the authority contained in previous vote wordings. They do not affect the provisions of any statute law, other than previous appropriation acts. They amend the amount or extend the purposes.

The ten votes in this category are: Department of Agriculture, votes 35g and 45g; Department of External Affairs, vote 1g; Department of Defence Production, vote 13g; Department of Indian Affairs and Northern Development, votes 3g, 15g and L51g; then there is Department of Manpower and Immigration, vote 30g; Department of Transport, vote 20g, and Department of Public Works, vote 30g.

Three of the one dollar items are set aside under a provision of the Financial Administration Act to permit the carrying out of a particular transaction, without amending the act or affecting its application to other transactions. These are, Department of External Affairs, vote 6g; Department of Transport, vote L82g and Board of Transport Commissioners, vote 82g. One item sets aside on a similar basis for a specific case a provision of the Children of War Dead (Education Assistance) Act, without amending the act or affecting its application to other cases. This is Department of Veterans Affairs, vote 6g.

One item seeks the authority to write off certain uncollectible debts in excess of $1,000. Parliament alone can grant this authority since the Financial Administration Act gives authority to the governor in council only with respect to debts not exceeding $1,000. This does not involve amending any statute. It seeks an authority for which no statute makes provision, and this is Treasury Board vote 25g.

The three remaining items, out of 18, involve, technically, changes affecting existing statutes. Department of Industry, vote 15g, increases a commitment authority originally fixed in the Area Development Incentives Act. This will not affect the original provision of funds but it does increase the commitment authority, so that further projects can be carried out. In due course parliament will have to authorize the funds to carry them out. This is merely to allow the Department of Industry to increase its area development commitment up to $200 million from the present commitment limit of $125 million.

Treasury Board votes 19g and 24g each involve a technical amendment of the Public Service Superannuation Act, first, to delete defunct corporations or boards as well as persons already covered by other plans from the coverage of the act, and second to set a 6.5 per cent ceiling on the combined public service superannuation and Canada Pension Plan contributions in regard of all earned income received after December 31, 1965. This, I might say, was necessary because with respect to income received after December 31, 1965, which was earned in 1965, employees without this amendment might have been committed to pay 8.3 per cent rather than the 6.5 per cent. We have assured members of the public service that their contributions would be on the same basis as previously.

Item agreed to.

5g. Representation abroad—operational, $195,000.

Item agreed to.

6g. To authorize the establishment of a special account in the consolidated revenue fund, to be known as the Canada foundation account, to which shall be credited (a) the interest payable on the bonds received by Canada under the civilian relief agreement of 1950 and the cultural agreement of 1954 between Canada and Italy, and (b) the proceeds from the sale, redemption or maturity of the said bonds and notwithstanding section 35 of the Financial Administration Act, to provide in the current and subsequent fiscal years and in accordance with terms and conditions prescribed by the governor in council for payment out of the Canada foundation account for the purposes of the said agreements, $1.

Mr. Cowan: I am speaking on item 6g under Department of External Affairs on page 8, Mr. Chairman. I do not like the way these estimates are being jammed through the committee—and that is the proper way to describe it. I might emphasize that this is no reflection on the Minister of National Revenue.

As the minister has already pointed out, there are 18 one-dollar items in these supplementary estimates. By no means are they legislative items. The cabinet has learned that the house does not like one-dollar items in the supplementary estimates, as is proven by their not proceeding at the present time with supplementary estimate No. 7, under the Department of the Secretary of State, for $750,000 on behalf of educational broadcasting facilities, which should be brought in as a separate bill so that it may be fully discussed by the house.

[Mr. Benson.]

We have 18 one-dollar items, of which one, and possibly two others, might affect legislation now on the statute books. Also I want to draw the attention of the committee to the fact that in these supplementary estimates there will be found eight times the expression "notwithstanding" some act already on the statute books of the nation. This means that these supplementary estimates, if passed in their present form, will set aside the requirements of eight pieces of legislation. For instance, under vote 6g of the Department of External Affairs we are asked to set aside section 35 of the Financial Administration Act. This is money that has been received from the people. It has been taken in by the Receiver General of Canada and paid into the consolidated revenue fund. Why cannot this money be taken by the Receiver General of Canada into the consolidated revenue fund in the same way as all other moneys are received? I do not see any urgency about setting up tonight a separate organization to accept this money from a foreign government. It will not be embarrassed by any delay caused by the time taken to bring in a bill to create the change suggested in this one-dollar item.

• (7:40 p.m.)

I have addressed myself to this item 6g in particular. I have made no comment about other one-dollar items up to this point, because they do not have the effect of legislation. But if we turn to page 12 of these estimates we will find under vote 20g a statement that, notwithstanding section 30 of the Financial Administration Act, something is being done. On page 13 under the heading "Industry", vote 15g, we find the words "to authorize, notwithstanding section 30 of the Financial Administration Act—" and so on. Then if we move on to page 17, under the heading "Privy Council", we find in vote 5g "Ministers without Portfolio—payment, notwithstanding anything in the Financial Administration Act—", and so on. In all, there are eight separate references setting aside some law of the land at the present time.

Mr. Chairman, I do not like to see legislation by supplementary estimate and I do not like to see the law of the land being set aside by this means. I frankly think this vote 6g could be set aside, and this situation handled in a more parliamentary manner than by a supplementary estimate. I mean every word of what I say with regard to this item 6g, and hope it will be withdrawn and brought up for consideration at some time in the future.

Item agreed to.

15g. Assessments, contributions and other payments to international (including commonwealth) organizations and international multilateral economic and special aid programs as detailed in the estimates, $256,000.

Mr. Nesbitt: There is an amount here of $25,000, a contribution to the United Nations program for the education and training abroad of South Africans. I wonder whether the minister could give us an explanation of this.

Mr. Benson: Yes, because I remember this particular item. I myself questioned whether we were not, perhaps, contributing to the education of persons who believe in something in which we ourselves do not believe. I was assured that this money goes to helping young persons who have left South Africa to obtain education outside South Africa. I could get a further explanation if I were given a minute or so in which to look one up.

Mr. Nesbitt: I imagined that this was the purpose of the item. What concerns me is that we might be setting a precedent here, and find ourselves contributing funds for students in goodness knows how many countries around the world because they do not like the government of the country to which they belong. I can think of a great many countries where funds such as this might be set up. We might be setting a precedent here which would be most undesirable. We do a great deal ourselves in the education of foreign students and I think hon. members are very much in favour of such a program. But I wonder whether the precedent we are setting here is a good one. Could the minister perhaps find out whether South Africa is contributing toward this United Nations project? We would be interested in knowing the answer though I realize he may not be able to provide it immediately.

Mr. Benson: I will certainly try to find an opportunity to give the hon. gentleman a more detailed answer. In the meantime, I can assure him that this question was examined very carefully by the cabinet before this grant was determined on, and it was decided that the vote would be quite proper in the circumstances.

Item agreed to.

External aid office—

35g. Economic, technical, educational and other assistance as detailed in the estimates, $3,500,000.

DEPARTMENT OF FINANCE

1g. Departmental administration including administration of the Guaranteed Loans Acts, $125,200.

Item agreed to.

Mr. Bell (Carleton): There is an item here amounting to $35,200 and a note which reads "Less: Amount recoverable from Treasury Board for Administrative Services". Can the minister explain what this means? Is this one of the magical items we heard about earlier? Is this amount recoverable in any case, or only because of its inclusion in this vote?

Mr. Benson: The amount is recoverable because the Department of Finance carries out administrative services for the Department of the Treasury Board, which has now become a separate department. An amount is being paid to the Department of Finance, and the Department of Finance is only asking for the balance.

Item agreed to.

3g. Grant to the endowment fund of the Vanier institute of the family, $167,000.

Mr. Cowan: I should like to ask the minister whether the Vanier Institute of the Family is being supported exclusively from the proceeds of an endowment fund. Is this to be the only grant to the institute or will there be annual grants from the government in this connection?

Mr. Benson: The government made the Vanier Institute a capital grant which has been approved by parliament. In addition, it agreed to match dollar for dollar contributions to the institute up to a maximum amount. This particular item is the equivalent, dollar for dollar, of the amount collected by the institute.

The following items were agreed to:

Comptroller of the Treasury—

25g. Administration, including the administration of the Superannuation and Retirement Acts and recoverable expenditures on behalf of the Canada pension plan, $440,900.

DEPARTMENT OF FISHERIES

Administration—

1g. Departmental administration, $23,000.

Fisheries management and development—

15g. Grants, contributions and subsidies in the amounts and subject to the terms specified in the sub-vote titles listed in the details of estimates, $300,000.

Special—

17g. Estimated amount required to recoup the fishing vessel indemnity account, the lobster trap indemnity account and the fixed fishing gear and shore installations indemnity account established under vote 540 of the Appropriation Act No. 5, 1955 and vote 527 of the Appropriation Act No. 6, 1956, to cover the net operating losses in the said accounts as at March 31, 1967, $132,000.

DEPARTMENT OF FORESTRY AND RURAL DEVELOPMENT

1g. Departmental administration, $7,000.

Forestry—

23g. Contributions to the provinces in the amounts and subject to the terms specified in the details of estimates, $130,000.

GOVERNOR GENERAL AND LIEUTENANT-GOVERNORS

1g. Office of the secretary to the governor general, $4,000.

DEPARTMENT OF INDIAN AFFAIRS AND NORTHERN DEVELOPMENT

Resource development—

3g. Administration, operation and maintenance—to extend the purposes of Indian affairs and northern development vote 3 of the main estimates for 1966-67 to increase the contributions to the Canadian council of resource ministers to $107,310, $1.

Natural and historic resources—

15g. Administration, operation and maintenance including grants as detailed in the estimates, $1.

20g. Construction or acquisition of buildings, works, land and equipment—to extend the purposes of Indian affairs and northern development vote 20 of the main estimates for 1966-67 to increase to $17,906,700 the authority, notwithstanding section 30 of the Financial Administration Act, to make commitments for the current fiscal year and to provide a further amount of $990,000.

Indian affairs—

30g. Administration, operation and maintenance including grants as specified in the sub-vote titles in the estimates, $2,100,000.

35g. Construction or acquisition of buildings, works, land and equipment, $1,100,000.

Northern administration—

45g. Administration, operation and maintenance, $271,600.

DEPARTMENT OF INDUSTRY

15g. To authorize, notwithstanding section 30 of the Financial Administration Act, an increase to $200,000,000 in the total amount of commitments in the current and subsequent fiscal years for development grants under the Area Development Incentives Act, $1.

INSURANCE

1g. Departmental administration, $25,000.

DEPARTMENT OF JUSTICE

1g. Administration, including grants and contributions as detailed in the estimates, $102,000.

[Mr. Benson.]

Mr. Bell (Carleton): Would the minister tell us what professional and special services are included in this item for which $100,000 are provided?

Mr. Benson: This covers legal fees, witness fees, reporters' fees and so on in connection with the appeal of Steven M. Truscott—the Truscott appeal.

Item agreed to.

DEPARTMENT OF LABOUR

B—Central Mortgage and Housing Corporation—

25g. To reimburse Central Mortgage and Housing Corporation, pursuant to Section 35 of the National Housing Act, 1954, for expenditures incurred during the period January 1, 1966 to December 31, 1966, for Housing Research and Community Planning as contemplated by Part V of that Act, $2,171,932.

• (7:50 p.m.)

Mr. McCutcheon: Mr. Chairman, in my opinion every Canadian has the right to adequate shelter. We have been told that we need 170,000 housing starts per year just to keep up with the present level of accommodation. Last year we had only 134,000 starts. Why? I submit there are three or four basic causes.

The first cause is high labour costs. More important is the federal government's sales tax, municipal taxes and a tight money policy. We in this party have been pressing for the removal of the 11 per cent sales tax which is applied at the manufacturers level. We have been pressing for its removal with good and just reason, because we find that this tax, innocuous as it appears to be at 11 per cent, by the time it hits the ultimate consumer has been marked up by the various levels through which it passes until it reaches 15 per cent or 16 per cent.

I have been a member of the consumer credit committee, which has been informed that in the average home costing $15,000 to $18,000 roughly 60 per cent of the cost is accounted for by material, and by the time the various profits are made on the sales tax at the various levels, instead of this tax amounting to $1,000 on such a house, as it normally would, it winds up being between $1,500 to $1,600.

We definitely have a housing crisis. In fact reference has been made to a fiasco in the housing industry. I submit that the cost of government at various levels, municipal, provincial and federal is to blame to some degree.

I was recently interested to read a statement by Mr. Hignett, President of Central Mortgage and Housing Corporation, to the effect that the average self-contained three bedroom home probably has a municipal tax burden of $38 to $40 per month, due to services which the public demands, and which has resulted in the fact that the average person earning $5,000 to $6,000 per year can no longer own or even attempt to own a home.

Another situation is developing whereby people living in limited dividend housing and subsidized housing are being forced out of such homes due to the actions of the government. Indeed at Saint John, New Brunswick, there are at present 30 or 40 vacancies in public housing because the formula which is used for rental accommodation is based on the gross take home pay of the renters. Due to the money which the government takes from the average wage earners' pay packet in Canada Pension Plan contributions, hospital insurance, income tax and all the other deductions, he can no longer afford to stay in subsidized socialized housing. Therefore the 25 per cent to 27 per cent figure which is applied to total income in establishing rental for such a person must be re-examined. In other words the percentage figure must be applied to what such poor people have left over after the government has dipped into their pay packets first. We have welfare stated ourselves so far that such people cannot afford subsidized socialized housing.

Due to lack of action by the government, and lack of an adequate housing plan, the government has spread the mantle of poverty over those in the low income bracket until it now reaches up into the class I choose to call the affluent poor, those in the $5,000 to $6,000 per year category, who should be able to own houses but who cannot.

I shall not take up the time of the committee further, Mr. Chairman. I just close with one statement with which I think no one will disagree, namely that housing should not be the victim of government tight money policy.

Mr. Gilbert: Mr. Chaimran, the hon. member for Lambton-Kent has introduced a very important issue, that of housing. On Monday afternoon my colleague, the hon. member for Danforth, attempted to initiate an emergency debate on the housing crisis. He pointed out that the government has had a housing policy fiasco and that it has reached the point of being a critical national calamity and national disgrace. He also pointed out that the Minister of Labour, in charge of housing, in the midst of this crisis remains serene, indifferent and unconcerned. That was on Monday of this week.

In today's Ottawa *Citizen* there appears an article quoting statements made by the Minister of Labour on the housing crisis. I read it in part as follows:

> Canada is coming out of its house-building crisis, Labour Minister J. R. Nicholson contended Tuesday.
>
> But the new houses are going to cost too much for the average Canadian to own if they're located in major cities, he readily admitted—
>
> "Housing problems are going to be serious for an indefinite period," he concluded. "But I would hope that the crisis period is over."
>
> Mr. Nicholson offered no hope that the cost of housing would decline as new housing becomes available.
>
> He said high land values would continue to prevent Canadians from getting the housing they wanted in major cities.
>
> "If you're going to live in a city you're going to have to live in an apartment," he said.
>
> The alternative was to move to the suburbs, he explained. Or if you wanted to own your own apartment you could resort to condominium housing which had just been approved in British Columbia and Alberta.

That is the approach being taken by the minister to the housing crisis. In 1965 there were 165,000 new homes built in Canada. In 1966 the figure was 134,000, a drop of 19 per cent. The projected housing goal for 1967 is 170,000 units, set by the Economic Council of Canada and confirmed by the President of C.M.H.C. But in the first two months of this year there has been a serious drop in housing starts, so serious that it prompted the hon. member for Danforth to bring it to the attention of the house.

An article in the *Globe and Mail* of March 8 stated:

> It is not news that Canada is moving into a housing crisis. Last fall the Economic Council of Canada warned that anything short of 170,000 housing starts a year would result in a serious shortage—
>
> Central Mortgage this week confirmed everybody's worst expectations. Total urban housing starts in January, it reported, nosedived 29.6 per cent compared with last January. Toronto's starts were down by an alarming 59.2 per cent, and Toronto and Montreal, which also showed a decline, are the housing weathervanes of the country—

• (8:00 p.m.)

> Yet no spirit of haste is evident in either national or provincial government. Federal Labour Minister J. R. Nicholson has announced that loans for 20,000 new housing units will be distributed in the spring —a mere drop in the bucket; that funds available under the National Housing Act will be increased from $600 million to $800 million; and that he is contemplating some changes in the act. Ontario

has promised to launch its dubious Home Ownership Made Easy program, for buying up land and leasing it at nominal sums to would-be home owners.

This is the approach the minister is taking. He says there will be 20,000 new units in the spring and that the reason for the drop in January and February this year is that the direct loans last year were made in the summer. He says that this year they will be made in the spring and the result will be a projected increase in housing starts.

Another approach was to increase the interest rates on N.H.A. mortgages from 7¼ per cent to 7¾ per cent. He also hopes there will be an increase in housing because of the participation of the banks in the mortgage lending field. This is the approach the minister takes to our housing crisis. In the past few months he has held a housing symposium in many cities across the country. He has heard from the builders about the serious lack of mortgage money. He has heard from the developers about the serious lack of serviced land, and he has heard from other representatives about the serious rise in the cost of homes. I recall that Mr. Mansur, who has been called Mr. Housing in Canada, indicated that Canadians have outpriced themselves in the cost of homes. He said that mortgage money is available but that the costs are so prohibitive that purchasers of homes are not being attracted. In Toronto the average cost of a home is $29,000. In order to carry that type of home one would have to have an income of between $8,000 and $10,000. This would indicate that any person with an income below that amount would be left homeless, in the full sense of the word, when one thinks of adequate housing.

It might be said that it is very easy to be critical and that it is better to become constructive with regard to a definite housing program. We in the New Democratic Party have attempted to be constructive. We have impressed upon the minister the need for a ministry of housing and urban development. By this means we would be in a position to provide leadership to the country in respect of housing needs and to encourage the provinces and the municipalities to participate in a massive housing program to fulfil the needs of the low income groups, middle income groups, senior citizens, and those people who wish to participate in co-operative housing projects. We believe the government should inject a massive amount of money into the economy for mortgage loans at interest rates of 5 per cent or 6 per cent. These would be reasonable rates at which people could afford to buy homes. Someone may ask, where will we get this money. The amount has been increased from $600 million to $800 million. We have suggested, and I suggest again tonight, that we should participate in home bonds. We believe the government should float bonds at attractive rates of interest in the same way they did during wartime when they promoted the victory bonds to prosecute the war.

We should float home bonds so that Canadians would be in a position to participate in a program which would ensure that there would be decent housing for all Canadians. The government should also take the initiative in respect of public housing. The government has not been able to persuade the provincial and municipal governments to participate sufficiently in public housing in order to take care of the needs of the people who have incomes ranging between $4,000 and $6,000. The result is that there is a tremendous shortage of apartments for these people. The apartments which are available are available at very high rentals.

During the housing symposium a suggestion was made that the government should take a more active interest in limited dividend housing. At the moment the government guarantees a return of 5 per cent on limited dividend housing. The suggestion was made that there would be more participation by builders if the guaranteed return on their investment was between 8 per cent and 9 per cent. We are in agreement with this suggestion. Because of the serious housing shortage some inducement must be given to builders and developers.

One of the saddest commentaries we have in centennial year is the serious plight in which our senior citizens find themselves today. Our senior citizens who are on fixed incomes are paying very high rent for apartments and rooms. Because of the high cost of living this represents a very great drain on their limited assets and income. This is the reason the government really should encourage the provinces and municipalities to build more homes for the senior citizens so that their needs can be fulfilled. Co-operative housing also should be encouraged so that those people who have the desire to build their homes could be given help, so that they would be in a position to finance their homes.

The hon. member for Lambton-Kent mentioned a very important problem with regard

to the cost of homes today. One reason is the 12 per cent sales tax that is imposed on building materials, and the 5 per cent provincial tax. Both these items should be eliminated in respect of residential homes in particular, if these homes are to be sold at prices which will be attractive to purchasers.

These are a few ideas which we would hope the Minister of Labour would consider seriously, rather than continue in the belief he has now that there is a constitutional barrier with regard to full participation in this important matter. He seems to believe that his only role at the moment is that of the friendly banker. We disagree with this and hope that he will forge ahead and give the necessary leadership to meet the housing crisis, so that Canadians in 1967 will have a housing program of which they can be proud.

Mrs. MacInnis (Vancouver-Kingsway): Mr. Chairman, I realize it is getting late, but some of us believe that we should not go away from the house at this time without again drawing the attention of the government to the magnitude of the housing crisis, and the fact that all of us have had our attention drawn to the plight of the people all across the country who are suffering because of the lack of decisive action in dealing with the problem at this time.

My colleague from Toronto-Broadview has pointed out the way in which the minister is indulging in optimistic and hopeful predictions about what will happen in respect of housing this year. Actually the members of his staff are much less optimistic than the minister.

• (8:10 p.m.)

I wish the minister were here tonight but I have no doubt his duties require him to be elsewhere. I should like to urge him to take his head out of the sand and look around to see what is happening in respect of housing today. His head is far too decorative a part of his anatomy to be left in the sand. He should look around to see what is happening, rather than hide behind the rosy vision which he obviously has in respect of what he hopes housing starts are likely to be. He should realize that something more far-reaching has to be done in respect of this very difficult housing situation. It is time the minister stopped predicting housing starts and began to do something to help provide the 170,000 new homes we will need for this current year. That number of new houses will not be of any assistance in reducing the backlog that has been built up.

The committee on prices heard a great deal of evidence across Canada about the need to deal with the housing shortage in a much more comprehensive manner. I wish to make a few remarks about the situation in my city of Vancouver because I have had a great number of representations from people who live there, and because I feel that that city is fairly representative of larger Canadian cities. Those things which are evident in Vancouver are evident in most of the major cities in Canada.

On February 1 the director of planning for the Vancouver city council prepared a series of notes for the use of aldermen at the housing conference. I do not believe those notes were used to any extent during that conference but I should like to quote one paragraph. The director of planning wrote the following:

> Much has been written about housing needs in Vancouver and elsewhere, yet no major Canadian city appears to have made a comprehensive survey of such needs. The city of Vancouver in 1960 and 1961 budgeted for its share of a $36,000 metropolitan housing survey to be financed 75 per cent by Central Mortgage and Housing Corporation under Part V of the National Housing Act, and 25 per cent by lower mainland municipalities. Central Mortgage and Housing Corporation, however, declined to participate.

In 1960-61 the city of Vancouver realized the need for a comprehensive survey of housing needs in the city at that time, and that was six or seven years ago. At that time the Central Mortgage and Housing Corporation had the rosy idea that if things were left to the workings of the market sufficient housing would be provided in the city of Vancouver. Vancouver is still waiting for the C.M.H.C. to approve this plan. However, the city is now trying to get another survey under way, which has been approved by the council, endorsed by the province and referred to the corporation. It will cost in the neighbourhood of $96,000. That approval has not been forthcoming.

It is my belief that such a survey is crucial in every large city from Vancouver to Halifax because we do not know how many housing starts are necessary. Very little consideration has been given as to the kinds of housing needed or the number of each kind. I think if the policy of C.M.H.C. and the minister continues we will spend an increasing number of the taxpayers' dollars to assist the better off people in our community. The people of moderate and low incomes will not get any help, or not as much as they should get. We will then have a situation in which socialism will provide for the rich, and free enterprise will

provide for the poor. The rich have decided that socialism is necessary in order that they may obtain C.M.H.C. loans and that the poor should be left to the tender mercies of free enterprise.

The president of Central Mortgage and Housing Corporation appeared before our committee on January 26 of this year and stated:

> Nevertheless, Canada's housing policies in the past have been based on the assumption that the determination of a very large part of our housing production can be left to market forces.

He then went on to say that a very large and increasing proportion of our housing needs cannot be met by private enterprise alone. The hon. member for Lambton-Kent pointed out that we were told by individuals appearing before the committee that people with incomes under $6,000 per annum could not afford to own homes. I am sure that even the minister is beginning to realize, with reluctance, that even though a great number of homes will be built the people who need live in them will not be able to own them.

The Vancouver Housing Association prepared a brief for our committee in which it stated in respect of home ownership:

> So far as home ownership is concerned, building costs, after remaining fairly static in the Vancouver area for several years, rose by 7 per cent between the springs of 1965 and 1966, and have since risen further. Prices of serviced residential lots have risen during the last five years by anything from 10 per cent to 100 per cent according to location, with an average increase of perhaps 25 per cent, and today it is difficult to buy serviced lots in suburban municipalities for much less than $5,000.
>
> High mortgage interest rates aggravate the effects of rising building and land costs and, while no specific figures are available to us, there are indications that a good many families are tying up an excessive proportion of their income in housing outlays.

This statement is confirmed by what Michael Wheeler of the Canadian Welfare Council wrote in a submission to our committee. He said:

> We have no reliable data on the number of families who are enjoying the pleasures of home ownership at the cost of severely strained budgets, nor do we know the actual cost of this strain in terms of other budgetary items that have to be sacrificed or its general impact on family well-being. This is a matter which, like so many other aspects of Canada's housing program, deserves more systematic attention.

I am urging that there should be more planning and an overall survey made in respect of housing needs. In respect of home ownership even the minister is now convinced that we are not going to meet the needs of a great many people in lower and middle income groups.

This is what was said by the Vancouver housing association in its brief to our committee:

> A canvass of leading real estate firm suggests that apartments falling vacant are renting for amounts from 5 per cent to 10 per cent higher than six months earlier, but in the low rental field increases have been much steeper. Within the last month elderly single persons applying for non-profit housing at the Central Housing registry operated by our association have reported the following increases in their rents:—
>
> From $45 to $75 (excluding heat)
> $45 to $80
> $45 to $85 (shared bathroom)
>
> Vacancies in rental housing, where families with children are accepted, are, according to real estate firms, virtually non-existent, so that it is difficult to quote any meaningful figures, but rents often appear now to be related more closely to what the traffic will bear than to the actual worth of the accommodation.

The greatest single need of Vancouver is low rental accommodation for middle and low income families. As a matter of fact, the director of the war on poverty made the statement as long ago as last fall to the Couchiching conference that Canada is spending more money on tinned dog food than it is on public housing. That certainly does not say very much for our degree of civilization.

• (8:20 p.m.)

There is a tremendous need in Canada for housing for low and moderate income families. If hon. members need an example to underline this I would refer to the matter raised a while ago in this house when it was pointed out that the immigration officials in Europe are saying to would-be immigrants to Canada, "Yes, come to Canada by all means. But if you do come, and have more than three children, do not go to any major Canadian city." They named half a dozen, including Vancouver. They said, Do not go to any major Canadian city unless you have a guaranteed income of at least $7,500 a year.

This reminds me of the old nursery rhyme. I am emboldened to quote poetry after what happened last night:

> "Mother, may I go down to swim?"
> "Yes, my darling daughter.
> Hang your clothes on a hickory limb;
> But don't go near—

—Vancouver, Halifax, Toronto, Montreal or many of the major cities in between, because you will not find housing there." That is the situation in this country. We have only to consider places like Birmingham and others

in Britain, to which people immigrated and where there was no adequate housing, to see what happens to the good feeling and good neighbourliness at all levels vis-à-vis people already living in those areas.

This further question concerns Central Mortgage and Housing. Family formation is going ahead by leaps and bounds these days. Not only are new families rapidly being formed but we are finding greater and greater mobility in Canada. Many young couples would not want to own homes even if they could afford them. They must have rental accommodation, because we are told that one family in four across Canada moves every year. We must have rental accommodation to take care of this situation.

Before I conclude my remarks I want to make a special plea to the minister and draw a special matter to his attention. In Vancouver's west end we are at long last apparently going to have a high-rise apartment block for elderly citizens. I do not know whether it will be available to the most needy among the elderly citizens. I hope it will be. But I believe a mistake, and a bad one, will be made in connection with this housing project unless something is done to prevent it.

In respect of any housing project for the elderly, of the type being built in Vancouver's west end, there should be not only self-contained apartments with kitchens but a main dining room with a kitchen attached, and there should be provision whereby elderly people can have meals taken up to their rooms in case of need. The last advice I received from Central Mortgage and Housing was that it does not propose to put these facilities in the new, high-rise apartment block being built in the west end of Vancouver. I would urge the minister to change his mind in this regard and see that these facilities are provided before the project is completed.

I would remind hon. members that the social welfare and housing people urged the minister and Central Mortgage and Housing to include recreational facilities in low rent housing projects in Vancouver, for example in Skeena Terrace and other low rental, subsidized housing projects. The minister did not do this. Now, after these projects have been lived in for a number of years, and after a great deal of trouble, inconvenience and agitation, at long last Central Mortgage and Housing and the city of Vancouver are trying very hard to find ways and means of including these facilities in the Skeena Terrace development. The facilities should have been included when the development was being built. I am warning the minister that if he does not see that these modern facilities for the care of the aged are incorporated in the new apartment block being built in Vancouver's west end, he will have to do it in a piecemeal fashion later.

There is a good more I could say on this subject, Mr. Chairman. I hope we will have a better chance to discuss housing at a later time, rather than talking about this important matter in the dying hours of interim supply. However, I will have pity on the committee because I know everyone here is just about as tired as I am. I hope the Minister of National Revenue will draw these matters to the attention of the Minister of Labour.

Mr. Benson: Mr. Chairman, I would simply like to say that having listened with interest to the speeches made with respect to housing, I will be most pleased to bring the matters raised by hon. members to the attention of the minister under whose jurisdiction fall the Central Mortgage and Housing Corporation. I assure hon. members that I will do this as soon as I return from the Easter holiday.

Mr. Horner (Acadia): Mr. Chairman, I should like to say just a few words on his vote, as it concerns Central Mortgage and Housing Corporation in particular. As hon. members are well aware, I represent a constituency which is entirely rural. The question I wish to raise concerns small towns and in some cases small contractors. I emphasize as forcibly as I can that I believe Central Mortgage and Housing has fallen back into its old rut in this respect. In 1958 and 1959, when the Conservative party formed the government, we directed C.M.H.C. to move into the smaller centres of Canada in order to help the citizens in those areas as well as those in the larger areas of this country. C.M.H.C has now fallen back into its old rut and is now concerned with helping the large contractor to build numerous homes, helter-skelter and everywhere in the larger cities. It is paying no particular attention to the smaller centres in Canada, and to our smaller contractors.

In the absence of the Minister of Labour I urge the Minister of National Revenue to bring this matter to his attention. I hope the minister will see that the small rural towns do not suffer because of the policies of Central Mortgage and Housing Corporation and some misguided rules and regulations that the district offices set up. I will cite a particular

case where a contractor is building a home. Before he can obtain any money from C.M.H.C. he has to have the home 85 per cent completed. I know the minister will say this cannot be true. However, it is true. This contractor is building a home for a medical doctor in a town that has a population of 3,500. The home is perhaps a little better or more extravagant than the average citizen is able to afford. In any case, Mr. Chairman, the contractor told me he would have to have the home 85 per cent completed before he could obtain one cent from Central Mortgage and Housing Corporation.

I ask the minister to urge C.M.H.C. to get out of the rut they seem to be falling into and to pay particular attention to the contractor who builds, not 200 homes a year but 20 or perhaps only 10. The minister should remember that home building conditions are not the same in small areas. It might well be said that the small contractor has higher costs because he does not build a great many homes. Of course the more homes one builds, the cheaper it is to build them. But the direct reverse is also true, because in many of our cities land costs and servicing are higher.

• (8:30 p.m.)

The servicing costs, and by that I mean wiring, sewerage, street lighting and so on, are greater in the larger areas than in the smaller towns. Therefore while I readily accept the fact that a small contractor may need a proportionately greater amount of money to build 20 houses in a year than to build 200, there is not that much difference, and I would urge the C.M.H.C. in making its inspections to make special allowances for the small contractors building in rural areas.

I could cite 100 instances of such cases all across rural Canada. The C.M.H.C. money is not being made available in the smaller areas. Time and time again small contractors have said to me. We will build a house, but please do not make us build it under C.M.H.C. because we cannot get the money, the lumber yards are after us to pay them, and we cannot get anything out of C.M.H.C. I urge the Minister of National Revenue to ask the Minister of Labour to bring this to the particular attention of C.M.H.C. to redirect its thinking toward the rural areas of Canada. Rural Canada is a vast area which needs better homes. I do not think there is one hon. member in this house who would deny that fact.

[Mr. Horner (Acadia).]

It is all well and good for us to stand up in this chamber and say that we must carry out slum clearances in our cities. But what are we actually doing? Are we making a special effort to improve the living standard of people in the rural areas and the smaller towns all across Canada? I cannot honestly say we are. The C.M.H.C. is making no special effort to improve the slum conditions which exist in the rural areas and which are just as bad as those in the cities. This is why I say to the minister it is all well and good to talk about low cost developments in the cities. We in the rural areas are not specifically asking for low cost housing. We are asking the C.M.H.C. to redirect its thinking, as has been the case in 1958, 1959 and 1961, and to give the people living in rural Canada a chance to build their houses under the C.M.H.C.

One has only to look at housing starts in rural areas under C.M.H.C. to see that what I say is correct. The first housing starts in the farm areas carried out by the C.M.H.C. were made back in 1959 and 1961. Today this has dwindled to practically nothing. We must give equal treatment to all the citizens of Canada, whether they live in cities or in rural areas.

There has been much talk about paying special attention to slum clearances and low cost housing in cities. I urge the Minister of National Revenue to ask the Minister of Labour to redirect the thinking of the C.M.H.C. so as to give the citizens in rural Canada an opportunity to build houses and to improve their standard of living, as well as to give an equal opportunity to small contractors providing services in rural areas to that given the large contractor. There is a great disparity between the two. Housing inspections in cities are much less rigid. As one contractor told me, the big contractors building houses in cities under the C.M.H.C. can get away with much more because the inspections there are much less rigid and less stringent. We in rural Canada pay taxes to improve the slum areas in cities and to build what could be qualified as subsidized housing in cities, but no special consideration is given to those living in small towns or in farming communities. It seems to me that the C.M.H.C. has taken the line of least resistance, and we in rural Canada are not satisfied with this attitude.

Mr. Benson: Mr. Chairman, I should like to say that, as always, I have listened with great interest to the speech made by the hon. member for Acadia and I can assure him that I who came myself from a small town, have just

as much interest in small town housing as he does. Not only will I bring all of his remarks to the attention of the Minister of Labour but I will personally send a copy of today's *Hansard* to the president of the C.M.H.C.

Item 25g agreed to.

The following items were agreed to:

30g. To reimburse Central Mortgage and Housing Corporation for losses sustained by it during the calendar year 1966 as a result of the operation of public housing projects undertaken under part VI of the National Housing Act, 1954, $2,109,457.

35g. To reimburse Central Mortgage and Housing Corporation for amounts loaned under section 36H of the National Housing Act, 1954, to any province, municipality or municipal sewerage corporation, and forgiven by the corporation during the calendar year 1966, pursuant to section 36G of the act, $7,898,965.

40g. To reimburse Central Mortgage and Housing Corporation for grants charged to the consolidated revenue fund as established by section 23E of the National Housing Act, 1954, in respect of contributions made during the calendar year 1966, to any province or municipality for the preparation or implementation of an urban renewal scheme or pursuant to an urban redevelopment agreement, $6,632,832.

LEGISLATION

The Senate—

5g. General administration, $282,500.

Mr. Knowles: Mr. Chairman, the Senate of Canada has already cost the people of this country nearly $3 million this year. I object to our being asked to vote another $282,500 for an institution that is not responsible to the people of Canada.

Mr. Benson: Mr. Chairman, I should simply like to explain what these additional expenditures are for. They include office stationery, sundries, and so on, which arise from the length of the sittings of the House of Commons, which of course causes the Senate to sit longer. They amount to $11,500. There is an increase in the printing costs of $41,000, which would indicate increased activity in the Senate and an increase in the activities of the joint committees on consumer credit and cost of living, divorce, immigration, and penitentiaries.

The Acting Chairman (Mr. Richard): Is item 5g agreed to?

Mr. Knowles: On division.

Item agreed to.

DEPARTMENT OF MANPOWER AND IMMIGRATION

National employment service—

20g. Administration of the national employment service, $370,000.

Mr. Horner (Acadia): Mr. Chairman, I should like to make a few brief remarks on immigration before we pass it. I will take only five minutes to show how amiable I am.

This item cannot be passed over lightly because, as I said earlier this afternoon when speaking on agriculture, immigration is one of the key problems and one of Canada's key assets. We can talk about our natural resources but we must not forget that our human resource may well be our greatest. What are we doing about it? I fear that the Minister of Immigration and Manpower has come to the conclusion that only skilled immigrants or immigrants with money and capable of establishing themselves in Canada, should be admitted to our country.

I am not a member of the committee on citizenship and immigration, not because I do not wish to be but because I have not had sufficient time to devote to it. However, one has only to examine where our immigrants have settled after their arrival to Canada and where in Canada are the greatest needs for immigrants. In other words, do we need skilled or unskilled immigrants, and which of the two categories can best be absorbed? As I said this afternoon, farm labour is very scarce in Canada to day. Nine out of ten farmers anywhere in Canada are prepared to accept unskilled labour and are prepared to train these people.

We are a young country with great natural resources. Whether we like it or not we are still hewers of wood and carriers of water. It does not take too much skill to do that job. I urge the government not to restrict immigration to skilled labour, because those are not the only immigrants we need in Canada today. I have already said that we could absorb more unskilled labour. The other day I spoke to a manufacturer in Winnipeg who employs 670 men in his manufacturing plant. I asked him how he hires his men, does he hire skilled welders and machinists? Believe it or not, he said: "No, we prefer them unskilled as long as they wish to work. We are quite prepared to train them." So let us not hastily

jump on a bandwagon and think that Canada is developed and cannot absorb any more unskilled labour. Canada is a young country with much development still needed, and we still have room for immigrants who are unskilled.

• (8:40 p.m.)

That is the key point I want to make before this particular item passes, Mr. Chairman. I recall an article which appeared in the Ottawa *Journal* about six months ago which listed the areas in which immigrants found jobs, and nearly 45 per cent entered what could be called unskilled labour areas. I think, for example, of the servicing industry. It does not take too much skill to put gas into the tank of a car from a gas pump, an occupation which could be regarded as part of the servicing industry. They also entered agriculture and the semi-manufacturing industry, and the three industries lumped together took almost 45 per cent of the unskilled immigrants who entered Canada.

Therefore, Mr. Chairman, I urge the Minister of National Revenue to draw this situation to the attention of the minister of immigration. We may believe today that Canada is developed as a manufacturing country, and in the highly mechanized and technological world of today needs only skilled immigrants. This is not so. I urge the minister to continue to permit unskilled immigrants to enter Canada and to continue sponsored immigration for a few more years at least.

Item agreed to.

Immigration—

30g. Administration, operation and maintenance —to extend the purposes of vote 30 of the main estimates for 1966-67 to increase the grants to immigrant welfare organizations from $20,000 to $28,000, $1.

Item agreed to.

DEPARTMENT OF NATIONAL DEFENCE

Defence services—

15g. Operation and maintenance and construction or acquisition of buildings, works, land and major equipment and development for the Canadian forces, $15,000,000.

Mr. Churchill: Mr. Chairman, this is an item of $15 million for pay and allowances for the Canadian forces. Under the National Defence Act the Canadian forces consist of the Royal Canadian Navy, the Canadian Army and the Royal Canadian Air Force. Perhaps the minister would give us the breakdown of this amount of money for the three recognized services.

[Mr. Horner (Acadia).]

Mr. Benson: Mr. Chairman, I wonder whether we could move to the next vote and let this item stand for a moment. I will dig up the information for my hon. friend if I have it here.

Item stands.

Defence research—

35g. Research satellite program—to provide for the design and instrumentation of a series of satellites to carry out a scientific research program agreed upon jointly by the United States national aeronautical and space administration and the defence research board, $1,328,000.

Mr. Korchinski: Mr. Chairman, I do not know whether this is the appropriate item for the remarks I wish to make, and if it is not perhaps I can be corrected. This afternoon there was a series of questions asked on orders of the day relating to satellite research and development in the communications field, an area in which the Department of National Defence may be interested. I know the National Research Council is working in this field, and from conversations I have had with officials in the department this field is relatively new.

A search in the library indicates that Canada has not done too much work in this field and is presently not in a position and might never be in a position to do so, for the simple reason that communications satellites cannot be sent aloft without the necessary vehicle to put them into orbit and thus make service available to areas presently without service.

I realize the Defence Research Board is working on this problem. Whether or not they are working in conjunction with other countries I do not know and I am not in a position to say. I do not know whether anyone in this committee can enlighten us in this regard.

However, Mr. Chairman, telecommunications is a subject which is under discussion at the moment. About one year ago I placed several questions on the order paper which at the time related to the C.B.C. These were prompted by a series of articles appearing in various papers across the country dealing with this problem in an exploratory fashion, providing information, and entreating the scientists of this country to experiment in this new area of communications. My opinion is that we should move very rapidly in this field.

I am aware of the fact that national defence communications are important and that the department is interested in this question. I am also aware from the information that

has been provided me that eventually we will attempt to send a satellite aloft to provide telecommunication for defence purposes only. However, this subject can also be related to other fields of communication essential to the country.

I am very conscious of this question of telecommunications because some areas of the part of the country that I represent have very little television service, some have no television service and some have bad television service. The people in these areas would appreciate the opportunity of being educated along with the rest of the country which have this facility made available to them.

Someone behind me says that perhaps we are lucky, but I suggest that with a satellite service perhaps we would be luckier in the sense that we would not be restricted to one particular program. We would not be subjected to what is at times the corruption of the C.B.C, though there are other times when their programs are good. I must say that my impression is that some of the programming is not too good; but regardless of the type of programming this is an area which requires urgent investigation.

• (8:50 p.m.)

We must allow notional research or defence research boards, which have scientists trained in this field, to act. A few days ago the Prime Minister said that the Minister of Transport has the responsibility of co-ordinating work in this field. When talking with the minister I realized how unexplored the field is. We seem to be waiting to see what will develop. We have the technicians and the scientists to work in this field, and we have organizations such as Northern Electric and Bell Telephone which can be useful to us. We can create a vehicle to transmit messages, but we lack the capability of sending it into orbit. For this capability we must go to other nations. If the United States does not want to help us, or if it feels that our satellite may take up a spot in the heavens they might be interested in later, then we shall have to put up a satellite. In one sense we are at the mercy of countries such as the United States. At the moment I have no reason for believing they will not co-operate with us.

This capability is necessary for our defence, as well for the entire question of telecommunications. We must talk to nations other than the United States. Several have the capacity to send vehicles into orbit. From my understanding of the problem, sending a vehicle into orbit does not require much more capacity than we now have. Nevertheless as satellites become more complicated they become heavier. We shall not have them in orbit for several years.

Our research at the moment is very limited. I understand that the attitude of our government is not to allow grants to those working in the research field in this sphere. I am thinking of the McGill University space research institute. It is essential, if we feel that communication between all parts of Canada is necessary, and if all parts of the country must participate in education, to consider carefully every aspect of this field. Whether they serve national defence or education, satellites are important. I do not know the technical problems, but I think that one satellite can transmit many messages simultaneously—telephone, television and radio messages, as well as others. In this area we should be more actively engaged than we are at present. More funds should be made available. Other countries are working rapidly in this field. If we wait patiently to see what will happen we might suddenly find another nation occupying that area we had thought to occupy in the first place.

We should have a vehicle to unite the north and south of our country, and to transmit from Vancouver to Halifax. It could transmit educational programs to our northern areas, where we are spending millions of dollars trying to provide an education for the inhabitants. The north is developing rapidly. When we think of the decline in the death rate, and increasing education among Indians, we must realize that our population will continue to grow. We must give our northern peoples an opportunity to see the rest of the country. We must show them that other parts of Canada welcome them. Only through this medium will they realize that. Once we provide those people with the opportunity to see the rest of the country, to see for themselves what exists beyond their own area of 50, 100, or 200 miles to either side of them, they will realize that they are part of the country. There can be no better way of spending money than on this type of research.

Item agreed to.

Mr. Benson: May we revert to vote 15g, under the Department of National Defence?

15g. Operation and maintenance and construction or acquisition of buildings, works, land and major equipment and development for the Canadian forces, **$15,000,000.**

Mr. Benson: I was asked a question about this a moment ago by the great and distinguished member opposite. The information which I have, which does not break this down by services—and I am sure he is quite familiar with this—is that at the end of the year there are transfers in the Department of National Defence, not among votes but among various categories. More than this amount of $15 million is required for the provision of civilian wages and salaries in the Department of National Defence.

Item agreed to.

DEPARTMENT OF NATIONAL HEALTH AND WELFARE

20g. Administration, operation and maintenance, $1,970,000.

Item agreed to.

POST OFFICE DEPARTMENT

1g. Postal services, $12,700,700.

Item agreed to.

PRIVY COUNCIL

5g. Ministers without portfolio—payment, notwithstanding anything in the Financial Administration Act or the Senate and House of Commons Act respecting the independence of parliament, to each member of the Queen's privy council for Canada who is a minister for whom no salary or allowance in addition to the allowances under section 33 and section 44 of the Senate and House of Commons Act is provided (the acceptance of which shall not render such member ineligible or disqualify him as a member of the House of Commons) of a salary of $7,500 per annum and pro rata for any period less than a year, $1,715.

Item agreed to.

15g. Expenses of the royal commissions listed in the details of estimates, $145,500.

Mr. Knowles: Mr. Chairman, this vote includes money for various royal commissions. There is a breakdown on page 17 of the supplementary estimates. The amount listed as expenses of the royal commission on the status of women seems small, as expenses of royal commissions go. Perhaps the minister could explain.

• (9:00 p.m.)

Mr. Benson: As the hon. member knows, this commission was appointed only very recently and the amount included here is just a start. The bulk of the expenditure will be provided for in the estimates of 1967-68.

Mr. Knowles: I take it, then, that in a full year we can count on the equality of the sexes.

[Mr. Benson.]

Mr. Benson: We shall find ourselves spending as much on the women as on the men, I am sure.

Item agreed to.

B—Economic council of Canada—

20g. Administration, $120,000.

Mr. Bell (Carleton): This includes an item of $19,200 under the notation "Special reference concerning the Department of the Registrar General". Would the minister indicate the nature of this special reference to the Economic Council of Canada?

Mr. Benson: I can reply to this question from memory; if I am wrong I will correct what I am about to say. I believe this has reference to consumer affairs and combines. There was a special reference to the Economic Council.

Item agreed to.

PUBLIC SERVICE STAFF RELATIONS BOARD

1g. Administration expenses, $44,700.

Mr. Knowles: Does the voting of this money for the fiscal year 1966-67 mean that the board has been fully constituted, and can the minister say whether the regulations under Bill No. C-170 which provide for this board have been promulgated?

Mr. Benson: The board has been constituted as far as possible. The chairman and the vice-chairman were appointed immediately and I believe there have been two or three employee and employer appointments. There have been three each, I believe. Some difficulty has arisen in getting the kind of people who suit. The board is in operation, however, and I understand that the regulations have been promulgated—I am not sure whether they have all been promulgated. I would have to check and inform the hon. member.

Mr. Knowles: Is the minister hopeful that the timetable we had in mind will be met?

Mr. Benson: Yes, I am very hopeful of that.

Item agreed to.

DEPARTMENT OF PUBLIC WORKS

1g. General administration, $275,000.

Item agreed to.

5g. Maintenance and operation of public buildings and grounds, $1,010,000.

Item agreed to.

Harbours and rivers engineering services—

30g. Construction, acquisition, major repairs and improvements of, and plans and sites for harbour and river works (including expenditures on works on other than federal property); provided that no contract may be entered into for new construction with an estimated total cost of $50,000 or more unless the project is individually listed in the details of estimates, $1.

Mr. Bower: I should like to speak on this vote. The western end of the province of Nova Scotia is the area where the heaviest fishing is done, perhaps, in Canada, but we are still very short of the infra structure needed to maintain the growth of this industry, which is one of the mainstays of the province.

Last year, for example, a wharf of a new design was built in this area. I am not being critical of the use of a new design; but the design was unsuccessful. Some $1.5 million was spent on its construction, but on Christmas Day the wharf was incapacitated and the last I saw of it a fence had been built across it.

Serious consideration should be given to correcting this situation immediately. The money has been spent, but the facility is not operative. A large fish plant which has been expanding greatly in recent years—it is even going into whaling—is dependant on this wharf. I insist that steps be taken to correct this unfortunate situation. There are other areas in the western end of Nova Scotia where there is need for dredging. The Harbour at Meteghan River in Shelburne-Yarmouth-Clare should be deepened, so that the shipbuilding plants can handle repairs of the draggers and other vessels which, as things are, must often waste time travelling long distances to undergo necessary repairs. At Yarmouth the fisheries have grown to such a point that more wharfage facilities are badly needed. The same can be said about Pubnico harbour, where bigger and better structures are required if the size and scope of the industry is to be improved.

I see no evidence of any moves in this direction in the new estimates, and this creates grave doubt in the minds of the people of the area from which I come, particularly when they note the amounts of money which are spent by the national government on projects which are not productive of wealth. The works I am talking about will of themselves create prosperity in an area where the per capita income is relatively low in the scale of income of a province which, in turn, has a low per capita income compared to the rest of the country.

We hear a great deal about Cape Breton and its problems and I do not want to detract by one jot or tittle from the seriousness of those problems, not do I imply that the government should not proceed with the steps it apparently plans to take to solve those problems. However, I submit that the western end of Nova Scotia tends to be forgotten amid the publicity given to the problems of Cape Breton.

Mr. Benson: The hon. member has made reference to a specific situation and since I am not the minister in charge I cannot answer what he has said. But I can assure him I will bring his representations to the attention of my colleague the Minister of Public Works.

Item agreed to.

National capital commission—

60g. Operation and maintenance, $473,000.

Mr. Bell (Carleton): I forgo the pleasure of making a speech on national capital planning, in the interest of expedition, but I do want to say that it is intended to hold the Prime Minister and the Minister of Public Works firmly to their commitment to establish in the next session of parliament a special committee of this house to explore all aspects of national capital planning. In my view this should be done at the earliest opportunity next session.

I will merely add that I think the question of bridges across the Ottawa River is of vital importance, two of these bridges in particular, and that this is the crux of future progress in capital planning in this area.

Item agreed to.

DEPARTMENT OF THE REGISTRAR GENERAL

5g. Corporations branch, $5,900.

Item agreed to.

10g. Combines Investigation Act—Administration, $100,000.

Item agreed to.

20g. Patent division, copyright and industrial designs division and trade marks office including contributions to the international office for the protection of literary and artistic works and the international office for the protection of industrial property and a grant of $4,000 to the patent and trade mark institute of Canada to assist in defraying the costs incurred in the production of a film on patents, $4,000.

Item agreed to.

Supply—Solicitor General

• (9:10 p.m.)

DEPARTMENT OF THE SECRETARY OF STATE

Educational broadcasting facilities—

60f. To authorize the Secretary of State, with the approval of the governor in council, to procure the incorporation of a company pursuant to part I of the Canada Corporations Act, to construct or otherwise acquire and operate, subject to the Radio Act and the Broadcasting Act, broadcasting facilities for the broadcasting by such company of programs for or on behalf of provincial and other Canadian educational institutions and authorities, and to authorize the Minister of Finance, on terms and conditions approved by the governor in council, to make payments to or on behalf of such company for the purposes thereof during the 1966-67 and 1967-68 fiscal years—not exceeding in the aggregate $750,000, $750,000.

Mr. Bell (Carleton): Mr. Chairman, I think this item has been called in error. If 60f is the item I think it is, I do not think it was intended that it should be called, and certainly that it would be carried without discussion.

Mr. Knowles: A firm undertaking was given that it would not be called.

Mr. Benson: The ones we are carrying now are supplementary estimates G.

The Chairman: I apologize to the committee. This supplementary estimate F was mixed up with supplementary estimates G. It is not called.

Item stands.

(The following items were agreed to):

1g. Departmental administration, including grants as detailed in the estimates, $125,675.

15g. Administration, operation and maintenance, $213,772.

27g. To extend the purposes of secretary of state vote 27a, supplementary estimates (A), 1966-67 to authorize, notwithstanding the said vote, payments in the current fiscal year of the remainder of the amount not exceeding $60,000,000 referred to therein, $21,600,000.

35g. Administration, operation and maintenance including grants and contributions for language instruction and citizenship promotion, $107,000.

50g. Payments to the national arts centre corporation to be used for the purposes set out in the National Arts Centre Act, $25,000.

DEPARTMENT OF THE SOLICITOR GENERAL

12g. Reimbursement of the penitentiaries industrial revolving fund for the value of stores which have become obsolete, unserviceable, lost or destroyed, $16,007.

Item agreed to.

25g. Payment in the current and subsequent fiscal years of a pension to Mrs. Helen Coleman, Mrs. Gladys Welfringer and Mrs. Annie Rosalie Laird in an amount equal to the amount that would be payable in that year to each such person under schedule B to the Pension Act if each of them were the widow of a Lt. Col. (Army) and entitled, pursuant to the Pension Act, to payment of a pension in that year at the rate set out in schedule B to that act minus any amount payable to such person in the year pursuant to any other statutory authority providing for the payment of a pension in respect of the loss of life while engaged in the performance of duty; amount required for 1966-67, $1,068.

Mr. Cowan: Mr. Chairman, I would like to ask a question or two of the minister piloting these estimates of over $300 million, or one third of a billion dollars, through the house in one evening. I gather that this item 25g has to do with establishing a little larger pensions for three ladies, of whom I know nothing, but I gather from the information given with the item that it has something to do with the R.C.M.P. I am still smarting under the recollection of what happened to Belec and Poitras, two men from Montreal who were the first commissioned officers in the entire history of the R.C.M.P. to be convicted of malfeasance when in office, with their conviction being upheld by the appeal court in the R.C.M.P. service.

I understand we are doing a little bit of legislating by supplementary estimates in order to increase the pensions of the three estimable ladies mentioned under this item, because the cabinet does not have the authority to issue an order in council to increase their pensions.

But if we have to pass this supplementary estimate tonight in order to give pensions to these three ladies and thus establish a new law, because the item refers to this year and subsequent years, I wish to recall, with respect to Poitras and Belec, that they would not have received any pension at all if they had got their just desserts. Under this Liberal government, however, the cabinet brought in an order to establish pensions for them, in one case of about $6,000 a year and in the other of about $1,900 a year. If the cabinet thought it wise to establish by order in council pensions for these two men who were convicted, and whose convictions were upheld, why did it not bring in a special order in council to establish the necessary funds for these three women?

Mr. Benson: Mr. Chairman, I am not allowed to give legal opinions. I can merely assure my hon. friend, in the particular instance that is before us to increase these pensions, that the advice given to us by the law officers of the crown was that we must do this through a special item in the estimates or by

legislation, and we are choosing to do it this way.

Item agreed to.

DEPARTMENT OF TRADE AND COMMERCE

10g. Exhibitions branch, $111,800.

Item agreed to.

DEPARTMENT OF TRANSPORT

5g. Administration, operation and maintenance including authority, notwithstanding section 30 of the Financial Administration Act, to increase to $27,016,900 the commitments for the current fiscal year for the Canadian coast guard service, $360,700.

Mr. Crouse: Mr. Chairman, I would like to take this opportunity to remind the minister that recently there has been a serious loss of life on the east coast, when no less than three deep sea ships went down, with a total loss of 35 lives. The largest loss of life was due to the grounding of the trawler *Cape Bonnie* outside Halifax harbour. I am sure the minister is well aware of that happening. A large number of mariners, and fishermen in particular, have expressed the opinion that the navigational aids which are outside Halifax harbour should bear closer investigation by the Department of Transport.

At the present time the *Sambro* lightship is no longer on station. During the period that it was on station there was greater communication between the captain of the lightship and the officers in charge of both merchant ships and fishing ships, trawlers and draggers, entering and clearing the port. Therefore I would like to enter a plea that the minister and the government give consideration to restoring the *Sambro* lightship to its position outside Halifax harbour. This would be an act that would receive the commendation of all mariner interests, and in view of the importance of the matter I hope it will receive the government's favourable consideration.

Mr. Benson: I most certainly will bring this matter to the attention of the Minister of Transport. I believe my hon. friend brought it to his attention on orders of the day recently, and that the minister indicated he would look into the matter of safety precautions at the entrance to Halifax harbour. Undoubtedly he is doing this, but I shall bring these additional representations to his attention.

Mr. Bower: I should like to supplement what my hon. friend from Queens-Lunenburg has said, but in connection with another lightship, that on the tremendously treacherous Lurcher shoals off Cape Forchu outside Yarmouth harbour. There is a report in the area that the Lurcher lightship is to be replaced by radar buoys, and the feeling of the maritime people in the southwestern end of Nova Scotia is the same as that expressed by the people in the Halifax area, that it would be most injudicious and dangerous to remove the lightship. I make a plea for the maintenance of that navigation aid in its present position.

Mr. Fulton: Mr. Chairman, it is unusual for a member from the west coast to support a position taken by members from the east coast, yet it should not be because all of us are interested in the maintenance of traffic in and out of Canadian ports. From personal discussions I have had recently I know the very real concern felt by those who are interested in the port of Halifax with respect to the matters which have been drawn to the committee's attention by my colleagues from Queens-Lunenburg and Shelburne-Yarmouth-Clare.

I understand one of the reasons for the reluctance to make a commitment to restore the lightship on the shoal upon which several vessels were lost, is a matter of money. Recently an automated signal has been placed there, but the authorities are concerned that if they restore the lightship manned by human beings it will cost them money to maintain the crew, provide sustenance, and transport them out to the ship on interchanges of duty. This is an improper consideration to allow to stand in the way of restoration of 100 per cent service at that station.

All that is really asked for is that the manned lightship with trained personnel be restored while another look is taken at the situation to see whether the automatic signal is really adequate to protect the lives and the safety of those in charge of the vessels coming in and out of that port.

• (9:20 p.m.)

I should like to ask the Minister of National Revenue to give us a little more than the automatic assurance that he will bring this matter to the attention of his colleague. I would ask him to assure the committee that he personally will recommend to his colleague that, starting tomorrow and continuing until the further studies of the adequacy of the system are completed, or until an assurance is given that it is the best system which can be devised, the old system will be restored, because it is an indisputable fact that under the old system there was not this loss of life which there has been in recent months since the automatic system was installed. If the

minister would give us that assurance, rather than just say that he will bring it to the attention of his colleague—that is, that he will make a positive recommendation that the former system be restored—then this item can be carried with a good conscience. If, however, he is not prepared to give that assurance, then I do not think my colleagues from the maritime area would be prepared to let the item carry.

Mr. Benson: First of all, may I say that I am not at all surprised that the hon. member from the west would support this very worthwhile plea which is being made by the members from Nova Scotia.

An hon. Member: Queens-Lunenburg.

Mr. Benson: However, I am not in a position to give him my assurance that I will tell the Minister of Transport what he should do in respect of his particular department. But I can give the further assurance that tomorrow morning I will get on the telephone and speak to the Minister of Transport about this particular matter so that he can give it his own special consideration.

Item agreed to.

15g. Payments to the Canadian National Railway Company (hereinafter called the company) upon applications approved by the Minister of Transport made by the company to the Minister of Finance to be applied by the company in the payment of the deficits, certified by the auditors of the company, arising in the operations in the calendar year 1966 in respect of the following services: Newfoundland ferry and terminals; Prince Edward Island car ferry and terminals; Yarmouth, N.S.-Bar Harbor, Maine, U.S.A. ferry service, $1,176,000.

Mr. Bower: Mr. Chairman, on Friday, February 24 I asked a question of the Minister of Transport and I was declared out of order by the Speaker. I brought the matter up again on Monday, February 27 on the adjournment debate. I believe I am in order in bringing up the matter at this time, because I see in this vote specific mention of the Bar Harbor ferry. This is the subject in respect of which I should like to speak now. During the adjournment debate the parliamentary secretary to the Minister of Transport simply talked around the subject. He was speaking of one ferry and I was speaking of another. I did not find that very satisfactory and probably he did not either. Therefore I wish to take this opportunity to bring up the subject again in an effort to obtain from the government some assurance that a situation which is very bad will be corrected.

[Mr. Fulton.]

The problem is that the ferry from Bar Harbor, Maine—the motor vessel *Bluenose*—to Yarmouth is so crowded during the summer months that people are unable to obtain passage on it. In this way tourists are discouraged from coming to Nova Scotia. Tourism happens to be just about on a par in importance, with our fishing industry. It is an other economic backbone of the province. In my remarks on the adjournment debate I endeavoured to receive an assurance from the Minister of Transport that this summer a second ferry—a supplementary service—would be available for service between Bar Harbor and Yarmouth, so that the tourist trade would not be throttled.

I had reason to believe that such a ferry might be available because last winter when the *Bluenose* was placed to go into drydock for overhaul, the *Leif Eiriksson*, which is a car ferry, was supposed to relieve her. At that particular time, however, the *Leif Eiriksson* was required to relieve the M. V. *Cabot* and therefore was not available to replace the *Bluenose*. I presume that now, or at least by early summer the *Cabot* will be back in service, and therefore I urge the minister to consider putting the *Leif Eiriksson*, or some equally suitable vessel, into use as a supplementary service. It is absolutely essential that our tourist industry not be restricted; it should, rather, be given a very opportunity to expand.

I think the request I am making is a reasonable one. I am dealing now, not just with the town of Yarmouth but also with the interests of the province of Nova Scotia. I believe the people of this province have every right to feel that they should be given consideration in this matter.

Item agreed to.

The following items were agreed to:

20g. Construction or acquisition of buildings, works and land, dock and terminal facilities, including improvements to terminal facilities owned by Newfoundland, and of vessels and related equipment as listed in the details of the estimates provided that treasury board may increase or decrease the amounts within the vote to be expended on individually listed projects, $1.

27g. Canadian National Railways deficits, 1966—amount required to provide for payment to the Canadian National Railway Company (hereinafter called the company) upon applications approved by the Minister of Transport, made by the company to the Minister of Finance, and to be applied by the company in payment of the system deficit (certified by the auditors of the company) arising in the calendar year 1966, which deficit shall be calculated after taking into account subsidies received by the company in 1966 in respect of the

maintenance of lower freight rates in 1964 and 1965, and after providing for outstanding liabilities for vacation pay accrued in 1966, subject to recovery therefrom of accountable advances made to the company from the consolidated revenue fund, $25,000,000.

30g. Administration, operation and maintenance, $339,000.

35g. Construction or acquisition of buildings, works, land and equipment including national airports (as determined by the Minister of Transport) and related facilities including authority, notwithstanding section 30 of the Financial Administration Act, to increase to $37,800,000 the commitments for the current fiscal year for airports and other ground services, $5,300,000.

Mr. Bower: Mr. Chairman, I should like to speak in respect of this item also. Again this is in connection with tourism in the province of Nova Scotia. The Yarmouth airport is the air gateway into Nova Scotia and indeed into the maritime provinces from such moderately populated places as New York city, Boston, Philadelphia, Wilmington, Washington and so on. A year or so ago the government improved one of the two runways at the Yarmouth airport but did not improve the other. I questioned the ministry on that and was informed that they would not do the work on the transverse airstrip because they did not expect to have DC-9 aircraft in use until 1970. It seemed therefore, that we were to be relegated to the position of having second rate landing facilities until 1970, and second rate planes to the same date.

I should like to repeat my point that everything should be done to encourage people to travel to the Maritimes. There is no limit to the ability of the people in the maritimes to entertain tourists, including people from central Canada, during the summers. I feel that consideration should be given to providing first rate treatment to the gateway to the area, and that this should include provision of a first rate airport and up to date planes.

Mr. Knowles: Mr. Chairman, could the minister tell me whether this vote includes any money for improvement of the facilities at the Winnipeg International Airport. I have in mind in particular the fact that the arrangements for people to enter the airport from incoming aircraft have never been completed.

• (9:30 p.m.)

I believe the minister has indicated that he is going on a trip out west in the next few days and will stop at Winnipeg. If he has not done so before, I hope he will take advantage of the fun of walking up a flight of stairs for no other purpose than to come down again. When he gets off the plane somebody will no doubt recognize him as a V.I.P. and will open the garage doors down below and let him walk through the catacombs. I hope he will refuse that privilege and act like an ordinary person by walking up the stairs for the fun of coming down again.

Mr. Benson: I always do.

Mr. Knowles: As I understand the original plan, it called for escalators both ways. In the meantime there has been some discussion about the possibility of having one of those telescope arrangements from the second floor to the aircraft level. I might mention that there is no problem confronting people leaving the air terminal to go to the aircraft. They do have to take an escalator up and then walk down. But people arriving find they have to go through this process of walking up the stairs for the fun of walking down, and this is a particular hardship for older people and people with children.

I hope this item includes money for this improvement. If not, I hope that the minister in his capacity as President of the Treasury Board—that man who says there is money for this and for that—will encourage the Minister of Transport to correct this deficiency.

Mr. Benson: I should point out that the improvement to the Winnipeg airport is not covered by this item. The Minister of Transport indicated to the house in answer to a question on orders of the day that this particular matter is under consideration. I assure my hon. friend that if he makes a recommendation to me, and we have any money, his recommendation will be looked upon favourably, at least by me.

Mr. Knowles: Those are very nice words, but let me remind the President of the Treasury Board that the previous minister of transport, the present Minister of Public Works, was also looking into the situation when he held that portfolio. I hope this process of looking into the situation will some day soon produce results.

Item agreed to.

The following items were agreed to:

35g. Construction or acquisition of buildings, works, land and equipment including national airports (as determined by the Minister of Transport) and related facilities including authority, notwithstanding section 30 of the Financial Administration Act, to increase to $37,800,000 the commitments for the current fiscal year for airports and other ground services, $5,300,000.

General—

73g. Reimbursement of the Department of Transport revolving fund for the value of stores which have become obsolete, unserviceable, lost or destroyed, $215,700.

B—Air transport board—

75g. Salaries and other expenses, $12,000.

78g. Subventions for air carriers as detailed in the estimates, $250,000.

C—Board of transport commissioners for Canada—

80g. Administration, operation and maintenance, $35,000.

82g. Railway grade crossing fund—to authorize, notwithstanding section 30 of the Financial Administration Act, an increase from $34,967,000 to $40,967,000 (in addition to any commitments in respect of which amounts are appropriated under this or any other act) in the commitments that may be made in the current and subsequent fiscal years, $1.

D—Canadian maritime commission—

90g. Steamship subventions for coastal services, as detailed in the estimates, $2,081,919.

E—National harbours board—

104g. Payment to the national harbours board to be applied in payment of the balance of the deficit incurred in respect of the calendar year 1965 and the deficit expected to be incurred in the calendar year 1966 (exclusive of interest on advances authorized by parliament and depreciation on capital structures) in the operation of the Jacques Cartier bridge, Montreal harbour, $483,000.

F—St. Lawrence seaway authority—

105g. Operating deficit and capital requirements of canals and works entrusted to the St. Lawrence seaway authority with the approval of the Governor in Council and to authorize, notwithstanding the Financial Administration Act or any other act, the disbursement by the authority of revenues derived from the operation and management of such canals and works, $549,000.

107g. Payment to the St. Lawrence seaway authority, upon application, approved by the Minister of Transport, made by the authority to the Minister of Finance, to reimburse the authority in respect of the Welland canal deficit incurred by the authority during the calendar year 1966, $10,150,000.

The Acting Chairman (Mr. Asselin, Richmond-Wolfe): That concludes the Department of Transport. We will now consider the supplementary estimates for the Department of the Treasury Board.

DEPARTMENT OF THE TREASURY BOARD

Administration—

1g. Departmental administration, $74,400,000.

Mr. Baldwin: Mr. Chairman, I have sat here for a number of hours, suffering with the minister, while he has laboured to explain these estimates and send them into the cold, hard world. I think this is an appropriate time to make a few remarks about our procedure of dealing with estimates. The minister I am sure knows what I am going to say on this item, which includes the publication of estimates.

Perhaps I am preaching to the converted so far as the minister is concerned. It is his delinquent colleagues to whom I wish to address my remarks because they are delinquent through indolence, negligence or in attempting to slip these estimates through at the last minute.

The total amount involved in the supplementary estimates is $235 million and, if I may continue in the same vein in which I started, the period of gestation is all too short. These estimates were brought down on March 10, three weeks before the end of the fiscal year. The minister will likely say that this practice has been followed on many previous occasions, but in light of the fact that the estimates for the ensuing fiscal year show such a tremendous increase I do not think it is competent for us to let these supplementary estimates pass without registering a very strong objection.

It is a bad parliament that follows this practice. We have now no alternative because these estimates must be passed by the end of this month. It is an even worse government which brings down estimates at such a late date and indicates that the money has either been spent or committed. There have been problems but many of them have occurred because the government did not arrange its affairs as it should have by bringing these estimates down some 15 months ago. The government has gone forward, backward, sideways; it has wiggled, squirmed and jiggled like a go-go dancer with Saint Vitus dance. In my view this is not good enough.

I do not want to debate the reports of the standing committee on public accounts and on procedure, but we have attempted to deal with this problem. I hope we can go a step further. I mention this because the senior Minister without Portfolio made a speech the other day regarding procedure, in which he outlined what the government would like to see so far as the opposition is concerned. What the opposition wants to see so far as the government is concerned is some order in the way these estimates are brought down.

Some day I hope a fixed date will be set when the main estimates must be brought down, and a fixed date when supplementary estimates must be concluded in order that we will not have this situation occurring again and again. It is my hope that the procedure committee will have an opportunity to come to

grips with the situation because I think it is shameful and scandalous that we are being asked to approve estimates at this stage without an opportunity to give careful and anxious scrutiny to $325 million of expenditures. I hope that with the co-operation of all hon. members the procedure committee will accomplish something in this regard, because this problem has caused difficulty for everyone. It is my hope that we will be able to avoid any repetition, and I have spoken tonight to file a caveat to this procedure at this time.

Mr. Benson: Mr. Chairman, let me say in reply that the hon. member is preaching to a convert. I am one of those who believe parliamentary estimates should be dealt with in the early days of a session. Two things are involved in this regard. The government must present the estimates properly, and this year we have presented the estimates for next year as quickly as they have ever been presented. Second, committees to whom estimates are referred must not hold on to them for undue periods of time. This happens on occasion and we do not get them back quickly to the House of Commons.

An hon. Member: Like within seven days.

Mr. Benson: I cannot specify a time limit within which they should be considered by a committee, but they should be dealt with expeditiously and returned to the house as soon as possible.

Mr. Knowles: Mr. Chairman, I should like to say a few words in support of the position taken by the hon. member for Peace River. We are both members of the committee on procedure, and therefore are particularly conscious of the recommendations now before the house. I hope the President of the Treasury Board can sell this recommendation to his colleagues.

Having regard to the point made about committees not doing their jobs—

An hon. Member: He did not say that.

Mr. Knowles: I did not mean to be offensive. In respect of the point the minister made about the committee holding on to estimates and not allowing them to get back to the house, I simply say that one of our recommendations will take care of that difficulty.

The significant recommendation is to the effect that unless estimates are passed before the end of the 90th sitting day of the session the government will suffer the penalty of loss of time. This is true also if the government has to bring in supplementary estimates after that period of time.

I think the hon. member for Peace River was speaking not only for himself but for most members of the committee when he said we should like soon to see the day that we have a calendar in respect of these things. In the meantime we have recommended that we adopt this rule, which we hope will induce the government to get the estimates through in the early part of a session. It is a good thing that we are preaching to one person who has been converted, and we hope that he will attend to the other ninety and nine.

• (9:40 p.m.)

The Chairman: Shall vote No. 1g carry?

Mr. Fulton: Mr. Chairman, I should like to say a few words about the committee system, because I think it is time we gave our attention to it. The idea of having standing committees to which departmental estimates are referred is an excellent one, and an improvement of course in our procedures. But I raise with the minister, the government and the committee the question whether we have not gone too far along the lines of referring every department every year to a standing committee. This means that we have 24 standing committees. That is fine, but you cannot man 24 standing committees all meeting at the same time as the house and its committees are meeting.

I think we are suffering, as it were, from an excess of bad conscience. Because in the past we did not refer enough departments for committee scrutiny, we are now making up for it by referring too many all at the same time. I make this suggestion for the consideration of the committee of the whole and the standing committee. We now have 24 standing committees corresponding roughly to each department of government. Could we not, on the basis that the normal life of a parliament is four years, refer, say, six departments a year for detailed scrutiny by a committee? Then in four years you would have had every department of government studied exhaustively in a committee. But you would have in each year only six committees sitting, and it would be possible to man those six standing committees in terms of work of the members, the committees staffs, the translation service, and so on; whereas at the present time, while I think the desire is commendable, the work

is suffering and committees are not able to do the job because they lack the staff, and members lack the time they would like to devote to these matters.

I would therefore ask this committee of the whole, the government and the standing committee to consider the idea that instead of having every department referred every year we should have, say, six departments referred every year, so that in the life of an ordinary parliament you would have all departments given one thoroughgoing scrutiny in a standing committee.

Mr. Churchill: Mr. Chairman, I just happened to come in at the appropriate time when someone was talking about the committee system of the House of Commons. I wish to add my protest in this respect. I think that the House of Commons has gone crazy over committees and the house itself has suffered accordingly. This is a committee of the House of Commons, a committee of the whole house, and should be used as it used to be used in days gone by, instead of hiving off small committees scattered all over the buildings on parliament hill.

You can be sure of maintaining a quorum in the committee of the whole house, but you cannot be sure of maintaining a quorum in some of our smaller committees. Time and time again we hear of committees meeting and waiting for a half an hour or longer for a quorum before they can proceed with their work. I say, Mr. Chairman, let us revert to half way between this system and the old, as has been suggested by the hon. member for Kamloops. Let this committee of the whole house deal with estimates to the fullest extent that is reasonable and from time to time refer estimates for more so-called detailed study by committees.

There is some advantage to this detailed study by committees once in a while, but not every year. Senior departmental officials have told me that burdensome as it is to appear before a house committee on estimates, nevertheless it is a spur and a help to them in their work because they are put on their mettle, they have to know their job and be able to answer the questions of interested members of the House of Commons. I would not subject them to this every year, but as the hon. member for Kamloops has quite properly said, perhaps six departments each year should be referred to our smaller committees. This system might very well satisfy the house.

[Mr. Fulton.]

As a matter of fact some years ago we had a committee on estimates. The idea with regard to that committee was just about what has been proposed by the hon. member. But I warn the House of Commons against the proliferation of committees. I have seen during the last two years the deterioration of the committee of the whole house and the House of Commons itself because hon. members have been occupied elsewhere. Of course the general public think we should be here in this chamber. For the last six weeks—and I am a fairly good attender in this chamber; I am either here in my seat or behind the curtains, and can generally be found—on the defence committee alone, with 23 other hon. members of this house. I have been attending twice and three times a day through the five sitting days of the week. Our only opportunity to be present in this chamber has been on the orders of the day. This is not right. Just think of the speeches the house has been deprived of hearing, because we have been absent on committee work.

Mr. Baldwin: What about the benefit to the defence committee?

Mr. Churchill: The defence committee has of course reaped the benefit. But a larger audience exists in this chamber. The present system is ruinous of the work of an hon. member; it is ruinous to the chamber itself and is putting too much emphasis on the committee system. The committee system has value, but its value is not as great as some outside observers maintain. Having done quite a bit of committee work over a great number of years, I come back to the point that here in this chamber more effective work generally is preformed.

There are special times and special investigations when better work is carried out by a smaller committee, but by and large this chamber is the place where the work should be carried out. I hope that instead of having 24 committees examining estimates, the bulk of the estimates will be covered here and the ministers concerned will stand up and disclose to us whether they know anything about the departments with which they are fumbling. We will soon find out. I support what has been said by the hon. members for Kamloops and others in regard to the committee system. It has gone too far too fast, and there should be a retraction in this respect.

Mr. Harkness: Mr. Chairman, I should like to say just a word or two with regard to the committee system with which we have been experimenting during the last year or two. I think it has advantages in many ways, but I believe many of the advantages are lost because of bad scheduling. This is the point I particularly wish to make, namely that the committees should be set up early and the scheduling of the meetings of the committees should be such as not to interfere with the sittings of the house or with the sittings of other committees. During the 22 years I have been a member of the House of Commons I have been trying to put this point over in the various committees of which I have been a member, and in this chamber. However, I am sorry to say that there has never been very much in the way of material advance made in that regard.

If you have two or three committees authorized to sit at a certain time, they will almost invariably hold their meetings on Tuesday mornings and Thursday mornings, and if they are meeting more than twice a week they will probably all meet at the same time. I believe that many of the difficulties which the hon. member for Winnipeg South Centre has mentioned could be obviated by a reasonable scheduling by a house co-ordinating group.

The Chairman: Shall vote No. 1g carry?

Item agreed to.

Government administration—

19g. To authorize the Governor in Council to amend from time to time schedule A of the Public Service Superannuation Act by deleting therefrom any board, commission or corporation named therein that has ceased to exist, and to deem, with effect from the 11th day of July, 1966, that persons in positions, as determined by the Governor in Council, in the whole or any portion of any board, commission or corporation which has its own pension plan are not employed in the public service for the purposes of subsection (1) of section 4 of the Public Service Superannuation Act while such pension plan is in force, $1.

• (9:50 p.m.)

Mr. Bell (Carleton): Mr. Chairman, lest the President of the Treasury Board think that there is concurrence in the remarks which he made earlier about $1 votes, I merely wish to say that I think this item and the next one are not matters which are proper for the estimates and should be put in a statute. I believe this is particularly true of these two $1 votes, because earlier the house had before it the superannuation acts. I suggest that this is where these matters should have been dealt with. I will not reiterate the views that I have expressed before. I only wish to say that I am unrepentant so far as they are concerned.

Item agreed to.

24g. To authorize as of March 31, 1967, the charging to the superannuation account and the retirement fund, as defined in the Public Service Superannuation Act, of the amount of all advances made pursuant to finance vote L100D of Appropriation Act No. 2, 1966, and L100E of Appropriation Act No. 4, 1966 to or in respect of persons described in those votes who were required to make contributions under the Public Service Superannuation Act and the Canada pension plan or the Quebec pension plan in respect of remuneration received after December 31, 1965, and to provide that, notwithstanding the Public Service Superannuation Act, the contributions payable pursuant to that act to the superannuation account or the retirement fund by any such person shall be reduced to the extent that the combined effect of that act and the Canada pension plan or the Quebec pension plan result in a requirement to contribute in respect of that remuneration at rates in excess of 6.5 per cent in the case of a male contributor and 5 per cent in the case of a female contributor prior to his or her ceasing to be employed in the public service, $1.

Item agreed to.

25g. To authorize the treasury board to delete from the accounts certain debts due, and claims by, Her Majesty, each of which is in excess of $1,000, amounting in the aggregate to $15,133,978.33, $1.

Mr. Bell (Carleton): Mr. Chairman, vote 25g is a very large sum of money. I think that perhaps it is the largest item which has ever been written off. One sees that in relation to the National Revenue taxation the average amount of write-off is $10,456, which would indicate that there are some very spectacular claims. Similarly, in Defence Production the average write-off is $13,289, and in Unemployment Insurance there are two claims averaging $25,300. The minister has been kind enough to give me, in accordance with past practice, a list of the items which are being written off, which I have not had an opportunity to examine.

However, I would like him to assure the house that he has given them his careful consideration and that he believes that all these items, totalling over $15 million, are in fact uncollectible.

Mr. Benson: Not only do I believe this but, as my hon. friend knows, before a write-off takes place an inter-departmental committee examines it and decides whether the amount is absolutely uncollectible. I would point out that the largest amount is in the Department

of National Revenue. This is quite normal because after all that department is responsible for collecting most of the money collected by the government. I think that over the years the efficiency of the department has been demonstrated by the relatively small amount which ultimately has had to be written off, and the officials in my department should be congratulated for the work they do in collecing accounts. When one considers that they are collecting between $10 billion and $11 billion a year, the write-off of $15 million is not as significant as one would think. One hates ever to have to write off accounts as bad debts, but people do go bankrupt.

Mr. Cowan: Mr. Chairman, I should like to put a question to the minister concerning vote 25g under the Treasury Board. I know the minister well and I know he is truthful in his answers. He and I became members of this house together in June 1962, when our party was in opposition. No doubt he will remember the time when the present Secretary of State for External Affairs, who was sitting then in opposition, assisted by some newcomers to the house, was pressing the government of the day for a statement concerning all amounts over $1,000 that had been remitted by the government, as required by the Financial Administration Act. The minister will remember that there had been some hanky-panky or sleight of hand by the government of that time whereby they raised tariff rates on a large number of items and reduced them on another large number. The hon. member for Winnipeg North Centre drew the attention of the house to the fact that when there is remission of more than $1,000 it must be published for the information of the members of parliament.

In vote 25g we are asked, under a $1 item, to authorize the Treasury Board to delete from the accounts certain debts which are due. I should like to ask whether this language has been picked deliberately in order to get around the requirement under the Financial Administration Act, according to which amounts remitted in excess of $1,000 must be published. It seems to me that this item should be covered by the Financial Administration Act and not by supplementary estimates for $1 authorizing the Treasury Board to delete from the accounts certain amounts due. When I take a stand in opposition I remain with it even when I am on the right hand of the Speaker. I believe the Minister of National Revenue acts similarly. However, I would like to know whether the cabinet has used the word "delete" in order to get around the provisions of the Financial Administration Act.

Mr. Benson: No, Mr. Chairman, that is not the case. Section 22 of the Financial Administration Act allows the governor in council to forgive amounts of indebtedness under certain conditions. If the amount of indebtedness is in excess of $1,000, it has to be published in the public accounts. In this instance we are not forgiving or remitting anything. Every possible effort has been made by the government to collect the money, but it has not been possible.

So there is no object in keeping it in our accounts as an account receivable and inflating the balance sheet of the government of Canada by showing an amount which we cannot collect. It is the same as a bad debt in ordinary business. Remissions under section 22 of the Financial Administration Act are a different matter, where an indebtedness is forgiven. Here we are not forgiving anything, and indeed, if we had a chance to collect the amounts, we would not be writing them off.

Mr. Cowan: I should like to ask the minister one question: Does the debtor come out the best when the indebtedness has been remitted or when it has been deleted?

Mr. Benson: It is being written off as a bad debt. The governor in council did not decide that this was an unfair amount for someone to pay, and that therefore it should be written off. In this case we made every effort to collect it but were unable to.

Mr. Knowles: Mr. Chairman, can the minister give an indication of the reasons for the write-off in some of these cases? Are the 1,300 write-offs under National Revenue, taxation, individual income tax debts, or are they corporation income tax debts? In either case why are they being written off?

Mr. Benson: In some cases they are corporation debts. Under customs and excise the total amount is $1,073,000.

Mr. Knowles: What about the other taxation?

Mr. Benson: There are many of them here and in each case the reasons are indicated beside them. In the first case there are deceased debtors with no estate. Then there are untraceable debtors, that is taxpayers who may have left Canada. We may have searched for them from six to ten years, after

which the debt is written off because we cannot find them. Then there are cases of people who are no longer resident in Canada and from whom we cannot collect. They do not cease to be indebted to the crown merely because we write them off as a bad debt. Another large number of cases are bankruptcies.

Mr. Knowles: Then there is a difference between these cases and the cases referred to by the hon. membr for York-Humber? If one of these persons who has left Canada were to come back, would he still owe us money?

Mr. Benson: Yes.

Mr. Knowles: So the amount has been written off because we cannot get it, but he has not been forgiven.

Mr. Benson: Yes.

Item 25g agreed to.

DEPARTMENT OF VETERANS AFFAIRS

The following items were agreed to:

6g. To provide, notwithstanding the Children of War Dead (Education Assistance) Act, that Martin Merlihan, Mary Merlihan, Sheila Merlihan and Patricia Merlihan, children of the late Francis J. Merlihan who died on the 7th day of June, 1965, while under treatment for a pensionable disability, be deemed to be students on and from the 8th day of June, 1965, within the meaning of the said act, $1.

• (10:00 p.m.)

Pensions—

20g. Administration, $70,000.

Treatment services—

30g. Operation and maintenance, $900,000.

Soldier Settlement and Veterans' Land Act—

40g. Administration of Veterans' Land Act; soldier settlement and British family settlement, $210,000.

LOANS, INVESTMENTS AND ADVANCES

The following items were agreed to:

Atomic Energy of Canada Limited—

L5g. Advances to Atomic Energy of Canada Limited, subject to such terms and conditions (including the delivery to Her Majesty, in satisfaction of the advances, of obligations or shares of the company), as the Governor in Council may approve, to finance the construction in Quebec of a Candu-BLW 250 nuclear power station, $3,000,000.

Defence production—

L13g. To extend the purposes of the revolving fund established by loans, investments and advances vote L18e, Appropriation Act No. 4, 1966, to include (a) the procurement of insurance coverage at bulk rates on the movement of household effects; and (b) the financing, in the 1966-67 and 1967-68 fiscal years, of the cost of hotel accommodation in Montreal during the period of the Canadian universal and international exhibition, Montreal, 1967 under arrangements approved by the treasury board, $1.

External affairs—

L24g. Additional advance to the working capital fund of the United Nations educational, scientific and cultural organization in an amount of $23,460 U.S., notwithstanding that payment may exceed or fall short of the equivalent in Canadian dollars, estimated as of February, 1967, which is, $25,000.

Finance—

Comptroller of the treasury—

L29g. To authorize the operation of a working capital advance account, in the current and subsequent fiscal years, in accordance with terms and conditions prescribed by the treasury board, for the purpose of providing to federal government departments and agencies standing travel advances, advances for petty cash expenditures and imprest bank accounts, and such other accountable advances as may be approved by treasury board; advances made shall be charged to the account and refunds of advances credited thereto, the amount outstanding at any one time not to exceed, $17,000,000.

Indian affairs and northern development—

L51g. Indian housing assistance account—to extend the purposes of Indian affairs and northern development vote L51a of the supplementary estimates (A), 1966-67, to authorize loans and advances to Indians for the acquisition of houses and land for housing purposes in areas other than Indian reserves, $1.

Mr. Korchinski: Mr. Chairman, I have one or two comments on this item. About a month or so ago I saw a television program which indicated that the department of Indian affairs had set aside a certain amount of money for housing projects for Indians. A difficulty had arisen in that the amount of money allocated for these homes was insufficient to complete them. As a result, we are now awaiting action by the department of Indian affairs.

My question is this. Is this item to meet this particular situation, and can the minister give us an indication whether this is a serious problem? Or is this just an isolated case.

Mr. Benson: Perhaps I can read this particular item so as to give the explanation of the department for the amount of this vote. Item L51a—that was the original item—was approved so as to provide money for the construction of houses for Indians moving off reserves. Unfortunately, the vote that was approved provided only for the construction of houses off reserves and did not provide the authority to purchase land for the construction of houses or for the acquisition of houses. It is felt that Indians will in some cases prefer to acquire houses rather than proceed

with the construction of houses, and it is necessary to extend the wording of the vote to provide the branch with the necessary authority.

Mr. Korchinski: I am sure the minister does not have all of the details, but has the problem that I have indicated been corrected and the houses completed? In other words, have sufficient funds been made available for the homes but not the land, or is this a fund which did not provide sufficient money to construct these homes?

Mr. Benson: All we are doing here is changing the vote wording so that not only can Indians moving off reserves build houses with a loan from the department of Indian affairs, but they can also get a loan to buy a house. In other words, they can do either.

Item agreed to.

The following items were agreed to:

Labour—

Central Mortgage and Housing Corporation—

L38g. Advances charged to the special account in the consolidated revenue fund established by subsection (4) of section 35A of the National Housing Act, 1954, in respect of housing and land development projects undertaken jointly with the governments of provinces during the calendar year 1966, $19,500,000.

L39g. Advances charged to the special account in the consolidated revenue fund established by sub-section 2 of section 36H of the National Housing Act, 1954, in respect of loans to any province, municipality or municipal sewerage corporation, for construction or expansion of municipal sewage treatment projects during the calendar year 1966, $32,500,000.

Manpower and immigration—

L41g. To increase to $500,000 the amount that may be charged at any time to the special account established by vote 626, Appropriation Act No. 2, 1955, as amended by vote 526, Appropriation Act No. 6, 1956, for advances to posts and to employees on posting abroad; additional amount required, $225,000.

Public Works—

L56g. To authorize the operation of a working capital advance account in the current and subsequent fiscal years, in accordance with terms and conditions approved by the treasury board, for the purpose of making payments in respect of construction and repair projects undertaken by the Department of Public Works on behalf of other federal government departments and agencies; the payments to be charged to the account and refunds by federal government departments and agencies to be credited thereto, the amount outstanding at any time, after deducting therefrom all amounts due by federal government departments and agencies, not to exceed, $10,000,000.

[Mr. Benson.]

Solicitor general—

C—Royal Canadian Mounted Police—

L70g. To authorize the operation of a working capital advance account in the current and subsequent fiscal years, in accordance with terms and conditions prescribed by the treasury board, for the purpose of operating RCMP messes; expenditures for such purpose to be charged to the account and receipts for mess services to be credited thereto, the amount outstanding at any time not to exceed, $80,000.

Transport—

L81g. Loans to Canadian National Railways in such manner and subject to such terms and conditions as the Governor in Council may approve for maintenance, repair and acquisition of passenger equipment, $200,000.

L83g. Acquisition of two Twin-Otter aircraft for leasing to Leeward Islands Air Transport Services Limited, in accordance with an agreement to be entered into with the approval of the governor in council, at a rate that will reimburse the crown for the cost of acquisition, and that will include an option to purchase the said aircraft, notwithstanding anything contained in the Surplus Crown Assets Act, $771,757.

Mr. Churchill: Mr. Chairman, this item is a little unusual. It calls for the acquisition of two Twin-Otter aircraft for leasing to the Leeward Islands Air Transport Services Limited, which operates in the Caribbean. This is in accordance with an agreement to be entered into with the approval of the governor in council, and so on. This is a little different from the normal loans, investments and advances which we make and approve in this house.

Could we have an explanation from the minister as to this item? Is the Leeward Islands Air Transport Services Limited owned by one of the islands in the Caribbean, or is it a privately-owned concern? Is there any connection with the Canadian government?

Mr. Benson: This is subject to correction, Mr. Chairman, and if I am wrong I will let my hon. friend know, but the Leeward Islands Air Services is controlled in large part by the government of Trinidad. These two aircraft are to assist them in a capital way to carry out the inter-island air service which is very necessary down there. It is really a type of foreign aid which is not going to cost the Canadian government money. We are providing these very necessary aircraft for our friends in the Caribbean, sister Commonwealth countries, and the cost is amortized over a period of years. I have been assured this amortization will be made and that this money will be recoverable. As I understand

the situation, in the case of default the government of Canada is completely protected in that they will maintain right of ownership in the aircraft.

Mr. Churchill: Would it not have been better to have some sort of government arrangement? If the Trinidad government owns the Leeward Islands Air Transport Services, would this not have been better?

Mr. Benson: They control them. I believe there was some difficulty because some people had a minority interest in the company. I am not fully cognizant of all the facts in this case and the Minister of Transport would know much more about it than I. As I understand it, it was necessary to make this arrangement in this particular manner and it is now before parliament as a loan item to be authorized to enable the Department of Transport to provide, in effect, aircraft for the use of our fellow Commonwealth countries in the Caribbean which are short of capital to buy these aircraft.

Mr. Churchill: I do not disapprove of assisting our fellow Commonwealth countries in the Caribbean by any means whatever, but here we are making a loan to a company which is now disclosed to be partly controlled by the government of Trinidad and partly a private enterprise organization. To say the least, this is an unusual arrangement. There may be companies in Canada that would like to make an arrangement like this with the Canadian government.

Mr. Benson: The Minister of Transport, who has just come into the chamber, says that the agreement has now been made and he would be more than pleased to show the agreement to my hon. friend so he could consider the details of it. He does not have it with him but he would be more than pleased to show it to the hon. member.

Mr. Churchill: Mr. Chairman, much as I like dealing with the Minister of Transport I would rather do this in public. Will he disclose the details to this house so that everyone will know about it, instead of this being private information provided on a confidential basis?

Mr. Pickersgill: I would be very glad to lay the agreement on the table at the first opportunity.

Mr. Churchill: I think that would be satisfactory and I regret that we had to suggest this indirectly to the minister. He should have done this before the estimates were put in front of us.

Mr. Monteith: Is that an undertaking?

Mr. Pickersgill: This will be done on April 3 or thereabouts.

Item agreed to.

L82g. To authorize, notwithstanding sub-section 5 of section 58 of the Financial Administration Act, the retention within the Department of Transport revolving fund of credits arising from the introduction of a system of standard pricing, $1.

Mr. Knowles: Mr. Chairman, this is another of the dollar items. I think there are 18 of them in this set of estimates. I should like to put this question to the minister. What is his attitude toward the complaints that have been made on both sides of the house of the extensive use of dollar items for the purpose of legislating? Does the minister just regard these protests as something he has to listen to, or is he going to do better next time?

Mr. Benson: I think one would find, Mr. Chairman, that on the last two occasions when supplementaries were presented to the house the government did much better than it had previously done in this regard.

Mr. Knowles: There are 18 in these votes.

Mr. Benson: As I understand the situation, there were almost as many last year. However, that is neither here nor there. As I explained earlier, many of these items are not legislative items, inasmuch as they only change a vote wording. I read into *Hansard* a little earlier this evening an explanation of all of them. As I recall it there were only three which were really legislative items, two of them with respect to the pension plan and superannuation contributions of civil servants.

• (10:10 p.m.)

Perhaps I might take the blame for there being an oversight. Were that not provided we should have to amend the Superannuation Act. This is a once and for all item, and may be dealt with in this manner. I can assure my hon. friend that I do not like this because, no matter what department comes before the committee I have the responsibility for getting it through, and I know how difficult that is.

Item agreed to.

Ways and Means

L83g. Acquisition of two Twin-Otter aircraft for leasing to Leeward Islands Air Transport Services Limited, in accordance with an agreement to be entered into with the approval of the Governor in Council, at a rent that will reimburse the crown for the cost of acquisition, and that will include an option to purchase the said aircraft, notwithstanding anything contained in the Surplus Crown Assets Act, $771,757.

Item agreed to.

DEPARTMENT OF VETERANS AFFAIRS

Veterans affairs—

Treatment services—

L100g. To authorize the operation, in accordance with section 58 of the Financial Administration Act, of a revolving fund for the purpose of financing the acquisition and storage of materials and supplies by departmental hospitals and other facilities in Canada, including the central medical stores maintained in Ottawa; the amount to be charged to the revolving fund at any time not to exceed, $5,000,000.

Item agreed to.

Resolutions adopted in committee of supply this day reported and concurred in.

WAYS AND MEANS

Hon. E. J. Benson (Minister of National Revenue and President of the Treasury Board) moved that the house go into committee of ways and means.

Motion agreed to and the house went into committee, Mr. Batten in the chair.

Mr. Benson moved:

RESOLVED, That towards making good the Supply granted to Her Majesty on account of certain expenses of the public service for the fiscal year ending the 31st day of March, 1967, the sum of $324,983,578 be granted out of the Consolidated Revenue Fund of Canada.

Motion agreed to.

Resolution reported and concurred in.

Mr. Benson thereupon moved for leave to introduce Bill No. C-282 for granting to Her Majesty certain sums of money for the public service for the financial year ending the 31st day of March, 1967.

Motion agreed to and bill read the first time.

Mr. Deputy Speaker: When shall the bill be read a second time?

Some hon. Members: By leave, now.

Mr. Benson moved the second reading of the bill.

Motion agreed to, bill read the second time and the house went into committee thereon, Mr. Batten in the chair.

[Mr. Benson.]

On clause 2—*$324,983,578 granted for 1966-67.*

Mr. Benson: I rise at this time to assure hon. members that the bill is in the usual form, that the items contained therein are exactly the same as the items which were included in the resolution, based on estimates.

Mr. Knowles: May I ask, for the purposes of certainty, whether it is clear that item 60f is not in this bill.

Mr. Benson: It is not in the copy I have. If it is I shall move that it be deleted.

Clause agreed to.

Clause 3 agreed to.

On clause 4—*Commitments.*

Mr. Cowan: May I ask how many millions of dollars have been voted in this bill under contingencies?

Mr. Monteith: That is a good question.

The Chairman: Shall the item carry?

Mr. Monteith: Mr. Chairman, the hon. member for York-Humber is asking a very sensible question. How much is in here for contingencies?

Mr. Benson: There is nothing in here for contingencies. This is money which must be spent by the end of the month, by the end of March. No contingency reserves are being built up.

Clause agreed to.

Clauses 5 and 6 agreed to.

Schedule agreed to.

Clause 1 agreed to.

Preamble agreed to.

Title agreed to.

Bill reported, read the third time and passed.

SUPPLY

The house in committee of supply, Mr. Batten in the chair.

INTERIM SUPPLY

Mr. Benson moved:

Resolved, that a sum not exceeding $583,621,688.93, being the aggregate of—

(a) one-twelfth of the total of all of the items set forth in the main estimates for the fiscal year ending 31st March, 1968, laid before the House of Commons at the present session of parliament, $499,354,305.59;

(b) an additional ten-twelfths of loans, investments and advances item L40 (schedule A) of the said main estimates, $16,666,666.67;

(c) an additional four-twelfths of the total amounts of atomic energy item 5, energy, mines and resources item 10, and national research council of Canada, including the medical research council, item 10 (schedule B) of the said main estimates, $23,778,000;

(d) an additional three-twelfths of the total amounts of energy, mines and resources item 80 (schedule C) of the said main estimates, $2,543,000;

(e) an additional two-twelfths of the total amounts of energy, mines and resources item 30, external affairs item 35, loans, investments and advances item L25 (schedule D) of the said main estimates, $27,544,166.67;

(f) an additional one-twelfth of the total amounts of industry item 15, legislation item 20, national revenue item 5, solicitor general item 15, and trade and commerce item 29 (schedule E) of the said main estimates, $13,735,550.

be granted to Her Majesty on account of the fiscal year ending 31st March, 1968.

The Chairman: Shall the resolution carry?

Mr. Churchill: No, Mr. Chairman.

The Chairman: Shall I report the resolution?

Mr. Churchill: No, Mr. Chairman.

• (10:20 p.m.)

Mr. Benson: I wish to say that the proportions requested in this bill are for one month's interim supply to last to April 30, 1967. In no instance is the full amount of an item being released by this bill. The form of the bill is the usual one for interim supply bills, and this goes for the resolution, as well. The passage of this resolution and the following bill will not prejudice the rights and privileges of hon. members to criticize any item of the estimates when it comes up in the committee of the whole house, and an undertaking is given that such rights and privileges will be respected and will not be curtailed or restricted in any way as a result of the passing of this measure.

Mr. Churchill: The only thing that saves the government from a prolonged debate on interim supply is the fact that we have been engaged in this lengthy session of the house for 231 days, which is an indication of serious bad management on the part of the government.

Some hon. Members: Hear, hear.

Mr. Churchill: If there are any complaints, I will explain that statement.

The other fact is that the hour is late and the members of the cabinet want to have an Easter break. Out of compassion for them we do not propose prolonging the debate on interim supply. But we have a very serious complaint to offer, and I propose in just a few minutes to state that complaint, so that there may be no misunderstanding in future and no one on the government side will be able to say we raised no objection at this time. This is the first opportunity we have had to raise the objection, as the new estimates are before us.

On Tuesday, March 14, the hon. member for Edmonton West, the hon. member for Calgary North, myself and several other members of this house drew attention to irregularities in the defence estimates. On that occasion we raised a question of privilege and Mr. Speaker decided that because the estimates had not been referred to the house they were not before us for discussion, and that a question of privilege was not in order. But he did leave the door open to us to raise the matter on the appropriate occasion and the appropriate occasion is, of course, right now.

If the situation were different, the estimates would have to be withdrawn and rewritten as far as the Department of National Defence is concerned. I feel the greatest regret that this has not been done by the government. We pointed out the error to hon. gentlemen opposite, but they are so accustomed to taking up inflexible positions that we are continually placed in the position of having to plead with them to do what is right. It should be the other way round. They should be setting an example as the government of this country. But it is we who have to point out their errors and urge them to do what is proper and within the law.

They have broken the law by submitting the estimates for 1967-68 in their present form in connection with the Department of National Defence. They had no authority to present those estimates in the way they have done, contrary to the practice in the past. If the Treasury Board or the cabinet is to have the right to alter the wording of items in the estimates at their whim and pleasure, it becomes almost impossible for this house to do what it is duty bound to do, namely to examine the estimates with care, make comparisons with other years, and present a clear picture to the public showing how the money is being expended.

The mistake which was made was smuggled into the book of estimates for the year ending March 31, 1967, the fiscal year which is now coming to an end. My recollection is that during the last two years, in 1965 and 1966, the estimates of the Department of National Defence were put through the house by the use of the guillotine. There was a very restricted debate and it was not noted that in the estimates for 1966 the introductory paragraph to vote 15 had been materially altered as compared with previous years. This is where the trouble arose. I now want to refer to the estimates for the fiscal year ending March 31, 1966 where the introductory formula to vote 15 reads as follows:

Operation, maintenance and construction or acquisition of buildings, works, land and major equipment for the Royal Canadian Navy, the Canadian Army and the Royal Canadian Air Force.

Now the book of estimates for the coming fiscal year, 1967-68 repeats the introductory paragraph which was smuggled in last year, and is again in error, because according to the National Defence Act the Canadian forces consist of the Royal Canadian Navy, the Canadian Army and the Royal Canadian Air Force.

Heretofore the estimates have appeared under these appropriate headings and a comparison has been made between the new fiscal year and the old fiscal year. In the estimates now in front of us for 1967-68 there is no possibility of discovering what amount of money the government proposes to spend on the Royal Canadian Navy or the Army or the Royal Canadian Air Force for the coming fiscal year, in order to relate these sums to the amounts spent in the past fiscal year. They have all been grouped together, and we have a new division into the commands which the Minister of National Defence has set up.

I have no objection to the expenditures of those commands being set out separately, but they should have been listed in addition to the information supplied with regard to the cost of the Royal Canadian Navy, the Canadian Army and the Royal Canadian Air Force. This was the substance of the question of privilege we raised on March 14 and I raise it again, now, not as a question of privilege but as a warning to the government that although we propose tonight because we are co-operative, to pass interim supply for one month, we reserve the right to raise this question again and obtain a settlement of this matter before the fiscal year is consumed.

[Mr. Churchill.]

• (10:30 p.m.)

We think it is absolutely wrong to do this without the approval of the house and without consultation with the standing committee on public accounts. It is absolutely wrong to fail to give the house and the people of Canada an exact assessment of the proposed expenditures in relation to the three armed services which are still in existence. These three armed services will remain in existence until the Canada Defence Act is altered. It has not been altered yet.

This house has not changed that act, and even if the proposed amendments to that act which are to abolish the three armed services pass this house later on this year, we have the word of the minister himself that four to six months will elapse before the new act will be proclaimed. At a rough guess, that means that anywhere from five to eight months will elapse before the three armed services are completely abolished, and before the new set of estimates would have application to their changed formation. So, for a great part of the coming fiscal year, the estimates presented to us give a false picture. This is what I am objecting to tonight, and I am reserving for my party the right to raise this question again, whether it be during the course of some other debate, or when the next application for interim supply comes before us.

Meantime I give a friendly warning to the government, this sometimes inflexible, sometimes immovable government, to change its ways and make the alteration which we are now suggesting. It would be a simple matter on an issue as important as this to delay the operation of this house until the change is made, but I am counting on the good sense of the Minister of National Revenue and of the Minister of Finance to have this change made.

It is not too difficult to do. We are not asking for the whole group of estimates to be altered. We are asking for these few pages dealing with the Department of National Defence to be set up in the form in which they were a year ago. That is not impossible for the Department of National Defence and the Department of Finance to arrange. It is a simple request and I hope when the estimates finally come before the house they will be in the proper form. If that happens, when the next request is made for interim supply we will not raise the objection I have been raising tonight, and which I raise with regret because of the long and hard session we have had, and the long hours. But, always staunch in doing my duty, I bring this to the attention of the House of Commons.

Mr. Knowles: Mr. Chairman, it is not my intention to comment on the point that has been raised by the hon. member for Winnipeg South Centre, but I would like to say a word or two on another point. I have not checked the history of the last hundred years to be absolutely sure of this point, but I believe this will be the first time in which three different sets of estimates have come before one session of parliament.

That is what we have done in this 1966-67 session. We have passed the main estimates for 1965-66, although we did it at a time when most of the money had been spent. Then we dealt with the estimates for 1966-67, including all the supplementary estimates which we finished just half an hour ago. Now we are starting on the estimates for 1967-68. Without assessing any blame I suggest that this robs sessions themselves of their meaning and it also downgrades the question of dealing with estimates.

In the course of a year we are never sure whether we are dealing with money already spent, and therefore can do nothing about it, or whether we are voting money for the future and doing it on the basis of an advance, and therefore feel we must restrain ourselves from going into any discussion. I am not going to repeat what was said earlier about the recommendations which came from the public accounts committee and from the special committee on rules and procedure, but I hope all of us in this house, government and opposition, cabinet ministers and private members—and this calls for co-operation—will do our best to get the work of parliament on a more regular basis so that there will be meaning to our procedures with respect to the voting of money.

As I have said, in this session we are now attacking our third set of estimates, and in almost every case we have done this under some sort of special circumstances. It can hardly be said that we are ever dealing with the expenditure of money at the right time. I therefore hope the government will take seriously the suggestion of the committee on rules and procedure that we try to deal with the estimates during the first 90 sitting days of a session, so that we will be dealing with them before the money is spent, and dealing with them in a meaninful way.

I could berate the government for the mistakes it has made in the past. I could turn this into a lecture to the government, but at this point I merely suggest this is something of concern to all of us and I hope we will soon get things on a more regular basis.

Mr. Leboe: I think it is essential, Mr. Chairman, that estimates are dealt with early in a session so that the government itself can get control of a situation. There is one factor in connection with the situation that has been outlined by the hon. member for Winnipeg North Centre. I have had the experience of fighting six elections in 12 years. In such a situation we naturally get behind with legislation and estimates. This is one of the reasons why I think it is time all of us took cognizance of the situation in Canada today, and forgot about elections for a little while in order to get along with the business of this house.

Mr. Monteith: Mr. Chairman, this resolution calls for an expenditure of $583,621,688.91. So that there will be no misunderstanding and lest anyone think that this is the total amount of money which will be spent during the month of April, I wish to point out that there is probably an equal amount of money which is statutorially provided for, and which is not being voted at present. As a consequence, with the huge expenditure forecast for 1967-68 of approximately $11.2 billion, the actual amount which is going to be spent in April is closer to $1 billion than the amount specified in the resolution.

Resolution reported and concurred in.

• (10:40 p.m.)

WAYS AND MEANS

INTERIM SUPPLY

Hon. E. J. Benson (Minister of National Revenue and President of the Treasury Board) moved that the house go into committee of ways and means.

Motion agreed to and the house went into committee, Mr. Benson in the chair.

Mr. Benson moved:

Resolved, that towards making good the supply granted to Her Majesty on account of certain expenses of the public service for the fiscal year ending the 31st March, 1968, the sum of $583,621,688.93 be granted out of the consolidated revenue fund of Canada.

Motion agreed to.

Resolution reported and concurred in.

Mr. Benson thereupon moved for leave to introduce Bill No. C-283, for granting to Her Majesty certain sums of money for the public service for the financial year ending the 31st March, 1968.

Ways and Means

Motion agreed to, bill read the first and second times and the house went into committee thereon, Mr. Batten in the chair.

On clause 2—*$583,621,688.93 granted for 1967-68.*

Mr. Bell (Carleton): Mr. Chairman, can the minister give the assurance that this bill is in the standard form and contains nothing that is not customary in a standard bill of this type.

Mr. Benson: The bill is in the normal form. I am told there is a slight variation as set out in section 5(2). I perhaps misrepresented the situation unintentionally in respect of the previous bill dealing with final 1966-67 supplementaries. There was a change in section 5 of that bill to allow journal entries at the end of the year in order more accurately to report the accounts. That change in the bill was based on a criticism by the Auditor General, but essentially it was in the standard form of other final supplementary appropriation bills.

Mr. Bell (Carleton): What is the change?

Mr. Benson: Mr. Chairman, the change in the form of the interim supply bill is to be found in clause 5(2) which has been inserted here. The reason is that on April 1, 1967, $325,000,000 government of Canada bonds and $72,300,000 Canadian National Railway Company bonds mature and the government is in the process of floating a new loan to provide the necessary funds to retire these maturing issues, and to provide funds for general purposes of the government. Since the government must take decisions concerning a new issue two to three weeks in advance of the issue date, which in this case is April 1, 1967, it was necessary to make commitments in connection with this issue under the existing borrowing authority. The wording of section 5(2) of this bill accordingly provides that the coming into force of this new act cancels only that portion of the outstanding and unused borrowing power in respect of which no action has been taken by the governor in council pursuant to section 42 of the Financial Administration Act.

Mr. Bell (Carleton): Mr. Chairman, are we to understand that in addition to the $1 billion borrowing capacity which is granted by clause 5, that there is the unused capacity amounting to something in the category of $400 million?

Mr. Benson: That is correct.

[Mr. Benson.]

Mr. Bell (Carleton): Therefore, we now are granting a borrowing power of approximately $1,400 million?

Mr. Benson: The $450 million already has been granted.

Mr. Bell (Carleton): But it would expire, were it not for this?

Mr. Benson: That is correct.

Mr. Bell (Carleton): So, we are renewing the $450 million, granting $1 billion, and in effect the total borrowing capacity would be $1,450 million?

Mr. Benson: That is correct.

Clause agreed to.

Clauses 3 to 6 inclusive agreed to.

Schedules A, B, C, D, and E agreed to.

Clause 1 agreed to.

Title agreed to.

Bill reported, read the third time and passed.

• (10:50 p.m.)

BUSINESS OF THE HOUSE

EASTER ADJOURNMENT

Hon. J. W. Pickersgill (Minister of Transport) moved:

That, when this house adjourns at the end of this sitting, it shall stand adjourned until Monday, April 3, 1967, at 2:30 o'clock p.m., provided always that if it appears to the satisfaction of Mr. Speaker, after consultation with Her Majesty's government, that the public interest requires that the house should meet at an earlier time during the adjournment, Mr. Speaker may give notice that he is so satisfied, and thereupon the house shall meet at the time stated in such notice, and shall transact its business as if it had been duly adjourned to that time; and

That in the event of Mr. Speaker being unable to act owing to illness or other cause, the Deputy Speaker shall act in his stead for the purpose of this order.

Motion agreed to.

Mr. Pickersgill: Mr. Speaker, it is my understanding that we will not attempt to transact any other business and that there is a desire to suspend the sitting to the call of the Chair. Before doing that perhaps I might be permitted, in the absence of the house leader and in the unusual capacity, being the senior minister in the house, of Acting Prime Minister—

Some hon. Members: Hear, hear.

Mr. Pickersgill: —to express in my usual modest fashion the appreciation that all of us feel on the eve of Easter for the services of his honour, Mr. Speaker, the other officers of the house, the staff, and all those associated with our labours. Perhaps I should even go so far at this moment, in an expansive spirit, as to say a kind word about the opposition.

While I realize that we are not even at the end of the session, which has been a long and exceedingly productive one, I should like to feel that we will all come back on April 3 refreshed and ready to quickly terminate this session and get on to the next, which I hope can be terminated also, or at least part of it, very quickly so we can really have some fun during this centennial year.

Hon. Gordon Churchill (Winnipeg South Centre): Mr. Speaker, as the senior surviving member tonight on this side of the house may I express my congratulations to the Minister of Transport (Mr. Pickersgill) on his temporary, and I hope short, term of office as Acting Prime Minister. We have had sufficient trouble from his immediate predecessor, and it is perhaps a good thing that this part of the session is coming to a close.

I join with him, however, in expressing our thanks to those who make it possible for this institution to survive, including yourself, Mr. Speaker, and all those associated with you. I congratulate the Acting Prime Minister for his suggestion that it has been a productive session, but the work we have done this session could have been done in two other sessions, with proper organization. If the Acting Prime Minister will use his brief authority to straighten out things on that side of the house perhaps the next session will be conducted along better lines.

I am afraid I cannot agree with the Acting Prime Minister, that the balance of this prolonged session will necessarily end very quickly following our return, because I note that the Minister of National Defence (Mr. Hellyer) is in moderate health and may wish to take part in a debate with us when we return after Easter. If in the interval, refreshed from a Caribbean cruise or some such vacation, he has a change of mind, the session will end very quickly. We will then be able to begin the long awaited centennial session in the best of humour. I do not mind on this occasion, and this may not often be repeated, extending my congratulations to the government side of the house.

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, this seems to be an evening for senior members. As the senior member in this corner of the house, and perhaps the senior non-privy councillor here tonight, I should like on behalf of this party to express our thanks to the Acting Prime Minister for the very generous felicitations he has conveyed on behalf of the government to all members of the house. We are happy to reciprocate those good wishes.

The break that is apparently about to take place will be a very short one but we trust it will be very recuperative for us all and that we will come back prepared to do a good amount of work in the remaining part of this session. Let us hope it will not be followed by just a pro forma kind of centennial session, but one during which we will do some real work for the people of Canada whom we represent.

We join with others in expressing our good wishes to all members of the house with a special word for perhaps the most long suffering member among us, namely Your Honour.

Mr. A. B. Patterson (Fraser Valley): Mr. Speaker, I should like on behalf of the members of the Social Credit party to briefly express our appreciation for the services rendered and the direction given by yourself and those associated with you. We also want to extend greetings to everyone as we are about to recess for the Easter season. We are all looking forward to this recess because we feel that perhaps it will help clear away some antagonisms that have built up. Certainly it will assist us in getting back in touch with reality, upon our return to our constituencies.

Mr. Pickersgill: Let me thank all members opposite for their kind words. I wish to reassure the hon. gentleman from Winnipeg South Centre (Mr. Churchill) that my tenure as Acting Prime Minister will be very brief. The Secretary of State for External Affairs (Mr. Martin) assured me he would be back before midnight.

I should now say something that perhaps I should have said before. This coming Sunday, which is Easter Sunday, is the anniversary of the election to this house of the Leader of the Opposition (Mr. Diefenbaker) and my hon. friend the Minister of Public Works (Mr. McIlraith). In view of the fact we will not be sitting on that day we should perhaps just note this fact and in doing so, since the Minister of Public Works is not here, I can

spare his blushes and express our appreciation for the indefatiguable and successful efforts he has made to facilitate the business of the house.

Mr. Speaker: May I briefly thank hon. members for their kind words and assure them that I am sure my colleagues at the Chair and at the table appreciate the generous co-operation which has at all times been extended to us.

• (11:00 p.m.)

I should like to mention to hon. members that the house will reconvene at the call of the bell. In the meantime hon. members, members of the press and officers of the house are invited to congregate in room 16 in a spirit of unification and integration.

Some hon. Members: Oh, oh.

Mr. Speaker: The sitting is suspended until the call of the bell.

SITTING SUSPENDED

• (12:30 a.m.)

SITTING RESUMED

THE ROYAL ASSENT

Mr. Speaker: I have the honour to inform the house that I have received the following communication:

Ottawa, March 22, 1967

Sir:

I have the honour to inform you that the Honourable J. R. Cartwright, acting as Deputy of His Excellency the Administrator, will proceed to the Senate chamber on Wednesday, March 22, for the purpose of giving the royal assent to certain bills.

I have the honour to be,
sir,
Your obedient servant,
A. G. Cherrier
Assistant Secretary to the Governor General

A message was delivered by Major C. R. Lamoureux, Gentleman Usher of the Black Rod, as follows:

Mr. Speaker, the Honourable the Deputy of His Excellency the Administrator, desires the immediate attendance of this honourable house in the chamber of the honourable the Senate.

Accordingly, Mr. Speaker with the house went up to the Senate Chamber.

• (12.50 a.m.)

And being returned:

Mr. Speaker informed the house that the Deputy to his Excellency the Administrator had been pleased to give, in Her Majesty's name, the royal assent to the following bills:

An Act for granting to Her Majesty certain sums of money for the public service for the financial year ending the 31st March, 1967.

An Act for granting to Her Majesty certain sums of money for the public service for the financial year ending the 31st March, 1968.

An Act to authorize the making of certain fiscal payments to provinces, to authorize the entry into tax collection agreements with provinces, and to amend the Established Programs (Interim Arrangements) Act.

An Act to make provision for appeals to an immigration appeal board in respect of certain matters relating to immigration.

An Act respecting pension plans organized and administered for the benefit of persons employed in connection with certain federal works, undertakings and businesses.

An Act to amend the Income Tax Act and to repeal the Canadian Vessel Construction Assistance Act.

An Act to amend the Bank of Canada Act.

An Act respecting Banks and Banking.

An Act respecting Savings Banks in the province of Quebec.

Mr. Speaker: Pursuant to special order adopted earlier this day this house stands adjourned until Monday, April 3, 1967, at 2.30 o'clock p.m.

At 12.54 a.m. the house adjourned, without question put.

[The following items were passed in Committee of Supply this day:]

AGRICULTURE

17g, 20g, 35g, 40g, 45g, 65g, 90g.

ATOMIC ENERGY

1g, 10g.

CANADIAN BROADCASTING CORPORATION

1g.

CHIEF ELECTORAL OFFICER

1g.

DEFENCE PRODUCTION

10g, 15g, 40g, 45g.

ENERGY, MINES AND RESOURCES

1g, 20g, 85g, 100g, 105g.

EXTERNAL AFFAIRS

1g, 5g, 6g, 15g, 35g.

FINANCE

1g, 3g, 25g.

FISHERIES

1g, 15g, 17g.

FORESTRY AND RURAL DEVELOPMENT

1g, 23g.

GOVERNOR GENERAL AND LIEUTENANT-GOVERNORS

1g.

INDIAN AFFAIRS AND NORTHERN DEVELOPMENT
3g, 15g, 20g, 30g, 35g, 45g.

INDUSTRY
15g.

INSURANCE
1g.

JUSTICE
1g.

LABOUR
25g, 30g, 35g, 40g.

LEGISLATION
5g.

MANPOWER AND IMMIGRATION
20g, 30g.

NATIONAL DEFENCE
15g, 35g.

NATIONAL HEALTH AND WELFARE
20g.

POST OFFICE
1g.

PRIVY COUNCIL
5g, 15g, 20g.

PUBLIC SERVICE STAFF RELATIONS BOARD
1g.

PUBLIC WORKS
1g, 5g, 30g, 60g.

REGISTRAR GENERAL
5g, 10g, 20g.

SECRETARY OF STATE
1g, 15g, 27g, 35g, 50g.

SOLICITOR GENERAL
12g, 25g.

TRADE AND COMMERCE
10g.

TRANSPORT
5g, 15g, 20g, 27g, 30g, 35g, 73g, 75g, 78g, 80g, 82g, 90g, 104g, 105g, 107g.

TREASURY BOARD
1g, 19g, 24g, 25g.

VETERANS AFFAIRS
6g, 20g, 30g, 40g.

LOANS, INVESTMENTS AND ADVANCES
Atomic Energy of Canada Limited, L5g.
Defence Production, L13g.
External Affairs, L24g.
Finance, L29g.
Indian Affairs and Northern Development, L51g.
Labour, L38g, L39g.
Manpower and Immigration, L41g.
Public Works, L56g.
Solicitor General, L70g.
Transport, L81g, L82g, L83g.
Veterans Affairs, L100g.

END OF VOLUME XIII